FOREIGN AFFAIRS

AN AMERICAN QUARTERLY REVIEW

OCTOBER, 1930

Self-Government for India	*The Marquess of Zetland*	1
The New American Tariff: Europe's Answer	*Percy W. Bidwell*	13
American Recognition of Russia: What It Would Mean to Europe	*Paul Scheffer*	27
The Economic Organization of Peace	*Sir Arthur Salter*	42
Belgium's Position in Europe	*Paul Hymans*	54
Native Policy in East Africa	*Baron Lugard*	65
In Russia Today:		
The Two Parties	*Victor Chernov*	79
The Soviets and Foreign Concessions	*N. Liubimov*	95
The Eastern Reparations Settlement	*Royall Tyler*	106
Dictatorship in Germany?	*Carl Joachim Friedrich*	118
The Mineral Position of the Nations	*C. K. Leith*	133
The Match Stick Colossus	*J. F. Deck*	149
Malta: Church and State	*A. S. V. S.*	157
Government Subsidies in Japan	*Herbert M. Bratter*	161
Some Recent Books on International Relations	*William L. Langer*	163
Source Material	*Denys P. Myers*	175

HAMILTON FISH ARMSTRONG

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CONTRIBUTORS TO THIS ISSUE

THE MARQUESS OF ZETLAND, Governor of Bengal 1917–22, former President of the Royal Geographical Society, author of the three-volume "Life of Lord Curzon" and other works • • • *PERCY W. BIDWELL*, Economist, United States Tariff Commission 1922–30; recently appointed Professor of Economics in the University of Buffalo • • • *PAUL SCHEFFER*, for some years correspondent of the *Berliner Tageblatt* in Moscow, now that paper's correspondent in the United States; author of several books on Far Eastern and Russian topics • • • *SIR ARTHUR SALTER*, for the last eight years Director of the Economic and Finance Section of the League of Nations, which post he has just resigned • • • *PAUL HYMANS*, Minister of Foreign Affairs of Belgium at the present time, and also 1918–20 and 1924–25; principal Belgian plenipotentiary at the Paris Peace Conference • • • *BARON LUGARD*, British member of the Permanent Mandates Commission of the League of Nations; formerly Governor-General of Nigeria, and author of many works on African subjects • • • *VICTOR CHERNOV*, Russian Social-Revolutionary leader and writer, Minister of Agriculture in the Kerensky Government • • • *N. LIUBIMOV*, Professor in the University of Moscow, recently attached to the Soviet Embassy in Paris as economic adviser • • • *ROYALL TYLER*, Deputy-Commissioner of the League of Nations in Hungary 1924–26; author of several economic and archæological works • • • *CARL JOACHIM FRIEDRICH*, Assistant Professor of Government at Harvard University, formerly of the University of Heidelberg • • • *C. K. LEITH*, Professor of Geology in the University of Wisconsin, Technical Adviser to the American Commission to Negotiate Peace, 1918–19 • • • *J. F. DECK*, formerly on the editorial staff of the Swedish paper *Nya Dagligt Allehanda* and Stockholm correspondent for several German newspapers • • • *HERBERT M. BRATTER*, of the Finance and Investment Division of the Department of Commerce.

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The Editors.

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Vol. 9 OCTOBER, 1930 No. 1

SELF-GOVERNMENT FOR INDIA

By the Marquess of Zetland

IT IS not too much to say that the Report of the Simon Commission is a document of world-wide interest, for it deals with a state of affairs which is unique in the history of mankind; a state of affairs, therefore, giving rise to problems for the solution of which no precedents can be invoked. For the past two and a half years the Commission has been investigating and pondering upon an experiment in the science of government on a vast scale; and it has now given to the world its appreciation of the experiment so far as it has gone and its views as to the lines on which its further stages should be conducted.

The object of the experiment is sufficiently well known; it is, in brief, the establishment of parliamentary self-government in India. That the English have long contemplated the association of Indians with the government of the country is clear from Section 87 of the Government of India Act of 1833, in which it was specifically laid down that no native of the country should by reason only of his religion, place of birth, descent or color, be disabled from holding any place, office or employment under the Company which then administered the country and whose functions were subsequently taken over by the Crown. But this did not necessarily involve the eventual transfer of control from Great Britain to India; and though some form of self-government as the ultimate goal may be said to have been implicit in British policy ever since the creation in 1861 of legislative bodies to which Indians were admitted, it was not until 1917 that the establishment of parliamentary self-government was categorically and authoritatively stated to be the goal at which British statesmanship was aiming. It is true that before this the Legislative Councils, both at the headquarters of the Government of India and in the Provinces, had from time to time been considerably enlarged, and the powers of their members widened. Thus under the India

Councils Act of 1892, Indians had acquired the right to discuss the financial proposals of the government and to put questions on subjects of policy and administration; while the Indian Councils Act of 1909 had not only doubled the size of the Councils and placed the non-official members in a majority in all the Provinces, but had introduced the principle of election and empowered their members to move resolutions and to divide the Council both on matters of general public interest and on the budget.

Yet it was never admitted that these measures were intended to pave the way towards the introduction of parliamentary government; and in the case of the Act of 1909 neither Lord Morley, then Secretary of State for India, nor Lord Minto, then Viceroy, was willing to subscribe to the view either that conditions in India admitted of the establishment of parliamentary government, or that the constitution set up under the Act of 1909 was intended to lead to it. The Viceroy's declaration when opening the new Imperial Legislative Council on January 25, 1910, left no possible room for doubt as to the views on this point then held in the highest quarters:

> We have distinctly maintained that representative government in its Western sense is totally inapplicable to the Indian Empire and would be uncongenial to the traditions of Eastern peoples — that Indian conditions do not admit of popular representation — that the safety and welfare of this country must depend on the supremacy of British Administration — and that that supremacy can in no circumstances be delegated to any kind of representative assembly. We have aimed at the reform and enlargement of our Councils, but not at the creation of parliaments.

Nothing could have been clearer: the intention in 1910 was to enable Indians to bring influence to bear upon the government in respect of its administration rather than to confer upon them any direct responsibility for the policy or the acts of the executive.

It will be seen, then, that the declaration of policy made by Mr. E. S. Montagu on behalf of the Cabinet in, and with the concurrence of, the House of Commons, on August 20, 1917, constituted a pronouncement of immense historic interest and importance. For when he stated that the policy of His Majesty's Government was that of "the gradual development of self-governing institutions with a view to the progressive realization of responsible government in India as an integral part of the British Empire," it was made clear that in spite of the conditions in India which in the view of the authors of the Act of 1909 had appeared to present

insuperable obstacles to the adoption of such a course, a determined attempt was to be made to set up a system of parliamentary government in India.

The action taken in pursuance of the Declaration of 1917 is too recent to call for more than a brief reference. Mr. Montagu, then Secretary of State for India, took the unusual course of proceeding to India in person, and after exhaustive investigation in company with the Viceroy, Lord Chelmsford, and a small commission, issued a report embodying recommendations for giving effect to the policy laid down. And in spite of the heavy preoccupations of the post-war period, a scheme based on the recommendations contained in the Report received legislative sanction in the shape of the Government of India Act of 1919. The Act provided for the immediate introduction of an instalment of parliamentary government and contained a promise of more to come. At the expiration of ten years a Commission was to be appointed to inquire into the working of the system of government and to make recommendations with regard to future progress. It is that Commission whose Report is now before us and whose recommendations I propose to examine. But it is impossible to appreciate the extent of the difficulties inherent in the task which Great Britain has deliberately undertaken unless the conditions which Lord Morley and Lord Minto believed to be inimical to the establishment of a parliamentary system in India are borne in mind.

The Commission have been so impressed with the magnitude of the difficulties that they have devoted the first part of their Report — a volume of more than 400 pages — to a general description of them. How in the space of a single article am I to convey to the reader any adequate idea of the conditions in India, which are set forth with dramatic emphasis in the 400 pages of the preliminary volume of their Report? Perhaps the best way of making clear the nature of the difficulties is by means of a comparison. Consider, then, the conditions under which parliamentary government has achieved such success as may properly be claimed for it in those countries in which it may be said to be indigenous rather than exotic. The paramount condition has been a reasonable degree of homogeneity on the part of the population. The peoples among whom parliamentary institutions have taken root have usually spoken a common language; they have inherited common religious beliefs and social customs; whatever their racial origins, they have been subjected to that centripetal

force which nationhood exerts and they have enjoyed the common outlook that the possession of a common civilization entails.

In all these respects India is the very antithesis of those Western lands where parliamentary institutions have had their birth and have met with the greatest measure of success. Not uniformity but an overpowering and bewildering diversity of race, of language, of religion, of social custom and tradition, of outlook and of culture is the outstanding characteristic of the Indian peoples. When it is suggested — as has been done by the Indian Central Committee which worked side by side with the Simon Commission — that the whole of the adult population of British India should be compulsorily enfranchised within the next thirty years, it is well to bear in mind that the peoples living in British India number some 250,000,000 souls; that they speak more than 220 languages belonging to six different families of speech; that of these 250 millions, 229 millions are illiterate; that they comprise adherents of the innumerable sects of no less than nine distinct religions; that they represent every phase of civilization from the stone age to the twentieth century; that no one of the 163 million Hindus may marry any one of the 60 million Moslems; and finally that the 163 million Hindus themselves are separated by an exclusive and fissiparous system of caste into innumerable water-tight compartments whose members are cut off from one another by an elaborate system of social inhibitions and religious taboos. That these religious and social cleavages constitute formidable obstacles in the way of democratic institutions as Western peoples understand them is apparent from the fact that there are still areas where not only the touch but the mere presence of a low-caste Hindu is held to pollute a member of the higher castes and where the outcast is, consequently, precluded from making use, except under cover of darkness, of the village well, or even the public road; and that they have proved sufficiently powerful in the case of two of the great religious communities to compel those who framed the existing constitution to concede to their adherents separate representation in the Legislative Councils by means of separate electorates. Thus throughout India the Mohammedan members of the legislative bodies are elected by constituencies composed exclusively of Moslem electors and in the Punjab a similar concession has been granted to the Sikhs.

Neither can we afford to lose sight of the fact that scattered widely over India are a large number of Native States politically

distinct from British India, over whose internal affairs Great Britain exercises no direct administrative control but whose rulers are in treaty relations with the Crown. Such states in various stages of political evolution, governed for the most part autocratically and none as advanced politically as British India, cover almost two-fifths of the total area of the land and embrace nearly one-quarter of its population.

It would be easy to write at great length of the contrasts and the contradictions, the anomalies, the anachronisms and the diversities which stare one in the face at every turn; but enough has already been said, perhaps, to justify the use of the word "unprecedented" when speaking of the experiment now being made in constitution making in India. And we may proceed to a closer examination of the proposals put forward by Sir John Simon and his colleagues for the further prosecution of the experiment.

The form of government which the Commission found in operation as a result of the Act of 1919 was a curious one. In the Provinces, which may be said to correspond roughly to the States in America, the field of administration had been divided into two parts. Such subjects as land revenue and law and order, including control of the law courts, the police and the prisons, were administered by the Governor and an Executive Council responsible not to the Provincial Legislative Council but, through the Secretary of State for India, to the British Parliament, though dependent upon the Provincial legislature for legislation affecting the subjects under its control and subjected to a constant stream of criticism at its hands. This part of the government was known as the "reserved" half. Other subjects such as education, public health, public works, agriculture and local government were administered by ministers selected from, and responsible to, the Provincial Legislative Council. This part of the government was known as the "transferred" half. The budgets of both parts of the government had to be submitted to the Provincial Legislative Council in the form of demands for grants, which might be assented to, reduced or rejected by it; but a demand in respect of a "reserved" subject if reduced or rejected might be restored by the Governor. The Governor functioned in a dual capacity: where "reserved" subjects were concerned, he was the supreme head of the executive; where "transferred" subjects were concerned his position was similar to that of a constitutional ruler. The system as a whole was known as Dyarchy.

Such was the form of government in the Provinces. Above the Provincial governments was the Government of India exercising general supervision over the whole, and dealing directly with such matters as fall naturally within the sphere of a federal government — foreign relations, the army, railways, posts and telegraphs and maritime customs. Here the executive was still constitutionally responsible to the British Parliament, though subject to the powerful influence of an Indian legislature consisting of two houses known as the Legislative Assembly and the Council of State.

The qualification for an elector to the various legislative bodies was generally a property one; and it was here — in the creation of an electorate — that the extent of the area to be dealt with and the size and diversity of the population were found to have produced some curious anomalies. The proportion of electors to population was small — about 2.8 percent in the case of the Provinces — and it followed that the area of the constituencies was large — in some cases preposterously so. In the Bombay Presidency three Mohammedan members represented rural areas as large on the average as Scotland; in the Punjab a Sikh member represented the electors of 72 different urban areas scattered over a region 100,000 square miles in extent, a constituency which seemed to the Commission to form "a quite impossible unit." On the other hand the necessity of providing for the representation of special classes and interests had resulted in the creation of electorates which, compared with the general territorial constituencies, were ridiculously small. In Madras the representative of the European trading interest was chosen by a constituency of only sixteen electors; in the same Presidency two representatives of the commercial interest were returned by 96 electors; and each of the 32 Indian members representing the landholding interest in the various Provincial legislatures was responsible to a constituency which averaged less than 200 voters.

The difficulties of direct representation — sufficiently great in the case of the Provincial legislatures, as the above examples show — were inevitably greater still in the case of the Legislative Assembly at the center. Here no single rural constituency covered an area of less than 6,000 square miles; the 73 rural seats varied, in fact, from this figure to 62,000 square miles with populations running to 6,000,000. Three Mohammedan members from the south of India had the honor of representing at Delhi —

separated from the source of their authority by a railway journey of 60 hours' duration — constituencies of 10,000, 38,000 and 83,000 square miles in extent, or, to put it differently, countries half as large again as Wales, Scotland and England respectively.

When it is borne in mind that only a minute fraction of the population lives in towns; that of every 100 persons living in India, 72 depend upon agriculture in one form or another for their livelihood; that the typical agriculturist "is still the man who possesses a pair of bullocks and cultivates a few acres with the assistance of his family and occasional hired labor;" that these people live in half a million villages scattered widely over a countryside almost incredibly vast; that few of these villages are approached by a metalled road and that fewer still are within reasonable distance of a railway; that an odd few only in every hundred of their inmates can read — when all these circumstances are borne in mind, it will be apparent that to talk of the responsibility of the member to his constituents is simply ludicrous. And so thought the Commission.

To deal with the difficulty — so far at any rate as the central legislature is concerned — the Commission have put forward a perfectly definite proposal. But before I touch upon that, let me dispose of the prior question which the Commission were required to answer, namely, how the system of government established by the Act of 1919 had worked. The main object of Dyarchy was to introduce a sense of responsibility into the relations between the Legislative Councils and part at least of the executive in the Provinces, that part, namely, which consisted of ministers drawn from the Legislative Councils themselves. The weakness of the Minto-Morley Constitution had been that it had invited irresponsible criticism of the Executive; and it had been realized in the discussions in the Cabinet in London which had preceded the Announcement of August 20, 1917, that to increase the size of the Legislative Councils in India without changing the conditions under which they performed their work would be merely to add to the volume of irresponsible criticism with which the Administration was being assailed. Hence the introduction of the principle of responsibility, or in other words, of the system under which the critics might be called upon to give effect in office to the views which they had expressed in opposition.

To what extent had the introduction of this system under the Dyarchic Constitution proved successful? The verdict of the

Commission is definite and clear; in this the main object of Dyarchy it has failed. In the eyes of the legislatures and of the public, ministers in the "transferred" half of the government have become tarred with the same brush as the executive councillors in the "reserved" half. They are all part of the government, and the legislatures, like the proverbial Irishman, are by tradition "agin the government." It had been laid down at the inception of the scheme that when in agreement ministers and executive councillors should be at liberty to support one another by speech and vote; but that when this happy state of harmony did not prevail they should not oppose, but remain silent with regard to, one another's proposals. "The temperature of Indian politics," observe the Commission, "is seldom so tepid as to make such detachment practicable;" and what has usually happened in practice has been that "the two halves of Government have been thrown into each other's arms through their relations with the legislature no less than by the impossibility of conducting the administration in compartments." Of the result of this tendency towards the unification of the two halves of the government which were intended to remain distinct, the Commission have little doubt — it "has probably been all to the good from the point of view of the efficient conduct of business; but the underlying and fundamental conception of the Dyarchic system — complete responsibility of ministers in a certain defined field, and in that field only — has become almost hopelessly obscured."

The remedy is obvious — the abolition of the Executive Councils and the transfer of the whole field of government in the Provinces to ministers drawn from, and responsible to, the legislatures. This is, in fact, what the Commission propose.[1] And if a further substantial step in the direction of self-government is to be taken, it is difficult to see what else they could have advised. The dangers are obvious, particularly in connection with the proposed transference of control of the police from official hands to those of elected ministers responsible to representative bodies which have always hitherto adopted an attitude of scarcely veiled hostility towards the branch of the administration responsible for the maintenance of law and order. The danger is twofold; for the effects of the change will be felt both within and without the police force — by the police themselves and by the public for

[1] The Commission recommend the separation of Burma from India; and when speaking of the Provinces of India I am referring to the eight major Provinces into which the peninsula is divided.

whose protection they exist. In normal times one of the most frequent causes of disturbance calling for the intervention of the police is the antagonism generally latent, but liable at any moment to break into open flame, between the two great religious communities of India, the Mohammedans and the Hindus. It is a widely accepted belief that the impartiality of the police in dealing with situations which might not unnaturally be expected to excite their own communal predilections, has been due not only to discipline but to the individual constable's knowledge that in supreme control is the Englishman who alone is capable of taking a detached and completely impartial view in all cases of communal rivalry. What, it is asked, will be the position of a Mohammedan policeman under a Hindu minister or of a Hindu constable under a Moslem minister when he is called upon to take action in a Hindu-Moslem dispute?

Similar considerations arise when the attitude of the public towards the police is taken into account. "We have had abundant evidence," say the Commission, "to show that in times of communal excitement one or other of the communities at variance, and sometimes both sides, express a wish that local police administration should be in the hands neither of a Hindu nor of a Mohammedan;" and they ask this pertinent question: "Whether the confidence of the ordinary public in India in the impartiality of police administration may not be seriously affected by placing its control in the hands of an Indian minister?" And it is supremely significant that the Indian Central Committee, a body consisting of eight Indians and one European, all members of the Legislative Assembly and the Council of State, which sat side by side with Sir John Simon's Commission, were so impressed with the state of communal feeling in Bengal and with the certainty that to hand over the portfolio of Law and Order to an elected minister would create a large measure of distrust and apprehension, that they recommended that in that Province the subject should not be transferred to the control of the Legislative Council.

Nevertheless the Simon Commission consider that the risk should be taken in the interests of the wider political desideratum that the measure of self-government to be conferred upon the Indian peoples in the Provinces should be complete. To this extent only is the administration of law and order in normal circumstances to be safeguarded — that the Governor is to have the right when appointing his Cabinet to include one or more

non-elected persons who will thereupon become ex-officio members of the Legislative Council and will share jointly with the other members of the Cabinet responsibility for the policy of the government. It will thus be possible for the Governor to entrust the portfolio of Law and Order to an administrator drawn from the ranks of the officials of the Province, who may or may not be a European.

In times of grave emergency, should such arise, the Governor is to be armed with special powers. His position will not be an enviable one, for with the Executive Council, through whose agency he now administers the "reserved" subjects, abolished, and in the teeth of a hostile legislature, he will be expected to resume complete control of the administrative machine and govern the Province himself. No man in the position of a Governor will contemplate such a task with anything but feelings of the most profound dismay; yet in view of the present temper of the Indian Nationalists it is impossible to deny that such an emergency not only may, but quite probably will arise. This, then, is the outstanding feature of the Commission's Report — the definite recommendation that in the Provinces of India, with their vast and varied populations, the whole wide range of administration should been trusted to national governments responsible to elected chambers.

The Report contains, of course, many other recommendations of great importance to which only brief reference can be made here. In the Provinces, communal electorates for Sikhs, Mohammedans and Europeans are to be retained; the size of the Legislative Councils is to be increased; the area of the constituencies is to be reduced and an attempt made to extend the franchise so as to embrace approximately 20 percent of the adult population. Direct election for the central legislature is to be abandoned; the members of this body, to be known in the future as the Federal Assembly, are to be elected by the members of the Provincial Legislative Councils and according to the system of proportional representation. It is urged that an incidental advantage of the adoption of this system will be the disappearance of communal electorates in the case of the federal legislative body.

But the outstanding advantage of the formation of the central legislature in this way will be that it opens a door to the inclusion of the Native States in an all-India system. If Provinces differing so widely as do the Provinces of British India can enter a federal

system without jeopardizing their own internal autonomy, why should it not be possible for other self-contained units such as the Native States to do so too? Whether they will do so must remain a matter for their own decision.

The Commission hold that with changes of such momentous importance in progress in the Provinces the time is not ripe for rendering the Central Executive — the Governor-General and his Executive Council — responsible to the Federal Assembly. That does not mean that the Government of India will not consist, as it does at present, of Indians as well as Englishmen, nor that it will not be subject in an ever-increasing degree to the influence of the legislature. But it does mean that the Viceroy in his capacity of Governor-General will continue to be the head of the central government and that neither he nor his colleagues can be dismissed from office by a vote of the Assembly.

Finally, a word must be said on one of the most difficult of all the problems which arise out of the attempt to confer self-government upon India, namely, the control of the army. The security of India within her borders, and her protection from invasion from without, is ensured by an army consisting roughly of 60,000 British and 150,000 Indian troops, the latter commanded by British officers. What is not generally realized is the extent to which the troops composing the Indian Army are drawn from a limited number of the more martial Indian fighting races. The 54 million people of Bengal and Assam do not contribute a single soldier to the regular army. On the other hand the virile races of the Punjab supply 86,000 out of the total, while the next largest contribution — 19,000, — is made by Nepal, which is an independent state and not part of British India at all. It may be said with complete confidence that the fighting Moslem of the Punjab has less than no respect for, let us say, the high-caste Hindu of Madras, whose 40 million people contribute the modest quota of 4,000 combatants to the Indian army. And the Commission state an undeniable fact when they write that "the presence of British troops and the leadership of British officers secure that the fighting regiments of India . . . shall not be a menace to the millions who are conducting their civil occupations without any thought of the consequences which might ensue if British troops were withdrawn and the Indian army consisted of nothing but representatives of the Indian fighting races."

What, then, is to be the position of the army in any scheme

which contemplates a progressive advance towards complete self-government not only in the Provinces but at the center? The experiment which has already begun of training up Indians to hold commissioned rank in the Indian army must continue; but years must elapse before a body of Indian officers capable of commanding even a portion of the Indian army can come into existence, and the Commission are merely facing the hard facts of the situation when they point out that the army as at present constituted cannot possibly be placed under the control of an Indian legislature. They suggest that henceforth the defense of India should be accepted not as a purely Indian interest but as an imperial obligation and that the army, both British and Indian, should be controlled by the Viceroy—not as head of the Government of India, but as the agent of the Imperial Government, acting of course in consultation with the Commander-in-Chief, who shall cease to be a member of the Indian Government.

Such, then, so far as it is possible to describe it is in so small a compass, is the experiment which is in progress in India, and such are the lines on which the Simon Commission advise that it should proceed. For some years past, spokesmen of the Indian Nationalist Party have demanded a round-table conference for the discussion of a constitution for India. With a gesture of undeniable good will, the British Government have recently acceded to this request, and have invited representatives of all shades of opinion in India to a conference this autumn, which will be free to discuss both the proposals put forward in the Report and such alternative suggestions as the delegates may wish to make. It is a melancholy proof of the intransigent attitude of the left wing of the Indian Nationalists that, before even the Report of the Commission had been published, they should have brushed aside the offer for which they had themselves never ceased to press, and declared their intention of boycotting the promised conference. Such an attitude is scarcely calculated to further the prospects of an amicable settlement.

But whether the extreme nationalists come to London in October or whether they do not, matters cannot rest where they are. Great Britain is pledged to go forward with an experiment fraught with momentous consequences, whether for better or for worse, to peoples numbering not less than one-fifth of the human race; and she cannot now withdraw from the furrow which she has set forth to plough.

THE NEW AMERICAN TARIFF: EUROPE'S ANSWER

By Percy Wells Bidwell

THE European response to the signing by President Hoover of the Hawley-Smoot Tariff Act was disapproval—immediate, undisguised and unanimous. Leading journals devoted columns to the discussion of the new American duties, analyzing their probable effect on exports to the United States and considering the possibilities of effective retaliation. A few conservative organs subjected the new act to cold-blooded analysis; but in Europe, as in the United States, such newspapers form a small minority. The popular press in Belgium, Italy, France, Germany, Spain, Sweden and Switzerland did not mince matters. In France our tariff was compared to a declaration of war, an economic blockade. In Sweden it was denounced as "the most terrible blow against the economic life of the world." A Spanish newspaper pictured the United States as "trampling on fair competition and on the peaceful spirit of international relationships." In Belgium the latest manifestation of American protectionism was assailed as narrow and malevolent, reckless, puerile, inopportune, highly damaging to trade and contrary to the traditions of friendship between the two nations. An English newspaper compared the Hawley-Smoot tariff to the German attack of 1914. One German daily complained that the United States by its haughty attitude had provoked the indignation of all trading nations, and another referred to the Hawley-Smoot tariff as "a monster of economic folly." There was a common note in the chorus of protests, however much they may have differed in expression, namely, the conviction that the new American import duties constituted a serious menace to the economic progress of western Europe.

Americans, even those of us who are most lukewarm about the merits of the new law, are astonished and perhaps somewhat irritated by the volume and tone of foreign comments. We are glad that the interminable and unenlightening tariff discussion is over. We want now to get down to business and make the best of an admittedly imperfect law. Why can't the foreigner do likewise? Aren't his protests exaggerated, and after all isn't the tariff a domestic policy, our own affair? It is the purpose of this article to

explain the peculiar bitterness of the European reaction to the tariff of 1930 and to appraise its probable results on our commercial relations with European countries.

To begin with, the new American tariff hit Europe at a bad psychological moment. In June and July 1930, European business was in the trough of a depression comparable to that which prevailed in the United States six months earlier. In England unemployment figures showed a substantial increase, the coal trade lacked orders, automobile buying was reduced, and exports of chemicals had fallen off; in few if any industries was there confidence of revival in the immediate future. The Swiss watch and textile industries had curtailed production. In Belgium eight out of ten modern window-glass factories were shut down and the plate-glass factories were operating at only 30 percent of capacity. In northern France, in July, thousands of textile workers went on strike. Political uncertainties in Spain dashed the peseta to new low levels. In Germany the unemployment problem was acute, the stock exchange stagnant, and iron and steel production 33 percent below the 1929 level. In Italy an extreme deflationist policy and heavy and increasing taxation were aggravating an already unsatisfactory business situation.

But there are elements in the European attitude toward our new tariff law much more fundamental than those arising from the immediate business situation. They can be understood only by reference to American commercial policy and our economic relations with Europe during the past eight or ten years. While the United States has steadily strengthened its position year by year as the leading economic and financial power of the world, Europe has wrestled with only indifferent success with the problems of recovery from the war. One of the fundamental conditions for recovery is the development of export markets outside of Europe.

It is difficult for Americans to appreciate the vital necessity of export markets to the manufacturers of such nations as England, Germany, Belgium, Switzerland and Austria. Mr. Owen D. Young has lately pointed out the determining effect which the disposal of surpluses of 8 or 10 percent of production may exert on American industrial prosperity. Consider, then, the importance which must be attributed in Germany to export markets which absorb 25 percent of its silk goods, an equal proportion of its rolling mill products and from 50 to 60 percent of its metal

wares; or in Belgium, which exports 90 percent of its plate glass and window glass and 60 percent of its cement; or in Switzerland, which exports 95 percent of its production of watches and 98 percent of its embroideries. In all of these countries, as in the United States, there are of course the sheltered trades, the public utility enterprises, professional and personal services and the building trades, which are only indirectly interested in the fluctuations of export trade; but to a far greater extent than with us the European commercial and industrial community, from wage earners to heads of enterprises, feel that their bread and butter depends on sales to foreigners.

In the United States there has developed since the war the greatest market for manufactured goods of all time, far exceeding in its purchasing power anything which the world has ever witnessed. Europeans feel that our protective tariffs have prevented them from securing a reasonable participation in supplying that market. Our first general tariff enacted after the war, the Fordney-McCumber Act of 1922, characterized by the *Manchester Guardian*, an organ which is sparing of superlatives, as "the most extreme protectionist measure ever undertaken by any country," was framed in a period of great uncertainty in international trade. All over the world, prices had suffered a severe collapse from the extraordinary peaks of the post-war boom. Currencies of practically all of the great trading nations, except the United States, were depreciated. European nations were having great difficulties in balancing their budgets. Some had given up the task entirely and were frankly paying current expenses with new issues of paper money. In the United States new industries had sprung up under the abnormal protection afforded by war-time embargoes and by high shipping charges. They as well as older industries had little idea of the potential competition of Europe. Exaggerated rumors were afloat of great stocks of finished goods in European warehouses ready to be dumped on American markets. A tariff act framed under such conditions by a party pledged to full protection of American industries was inevitably characterized by high rates. Some of those who were responsible for the rates were not convinced that they would prove permanently necessary. They looked upon the act as in some degree an emergency measure. Consequently they provided, in the so-called flexible clause, a means of modifying rates by executive action. Great hopes were entertained by the sponsors of this new departure in tariff mak-

ing. Even so staunch a protectionist as Senator Smoot said: "If the conditions become normal, I expect the President of the United States to lower, I was going to say, the majority of rates."

European exporters, then as now, when they complained of the hardships imposed on their business by the new American tariff, were referred to the flexible provisions as a source of relief. But they did not derive much satisfaction from the operation of this new departure in scientific tariff making. In eight years rates were decreased by Presidential proclamation on six commodities. Taken altogether, the value of the imports of these commodities in 1929 was only $7,689,000, or one-half of 1 percent of total dutiable imports. Moreover, the new machinery of tariff making, which had been advertised as a relief from the high rates in 1922, actually operated to raise the rates as a whole still higher. Altogether there were 33 proclamations raising rates of duty, and the 1929 value of the imports affected was $78,500,000. Plate glass, window glass, linseed oil, butter and cheese were some of the items of substantial importance to European countries on which rates were increased by Presidential proclamation.

The United States enjoyed seven fat years under the Fordney-McCumber tariff. With the rapid strides in technical improvements and in labor organization, wages rose and the consumption of manufactured goods of all kinds reached fabulous sums. But only a small fraction of these goods came from European factories. In the years 1910–1914 Europe supplied us imports to the value of $836,498,000 annually, representing 50 percent of our total imports from all countries. In 1923–1928 the imports from Europe averaged in value $1,217,067,000, but they then constituted only 30 percent of the total. In pre-war years Europe sent us $309,400,000 annually of manufactured goods. During the first six years of the Fordney-McCumber tariff the average was $483,330,000, but whereas before the war about one-fifth of all our imports were European factory products, during six years of the Fordney-McCumber Act the proportion was between one-eighth and one-ninth.

If we contrast the growth in our national income with the growth of imports from Europe, putting both on a per capita basis, the results are still more striking. In 1913 our national money income per capita is estimated to have been about $325. Of this income $3.25, or exactly one dollar in a hundred, was spent in the purchase of European manufactures. Fifteen years

later our per capita income had risen to $675, but the purchases of the products of European factories were only $4.32 per capita. With $350 of additional income we spent only $1.00 more than in pre-war years on European factory goods. Before the war Switzerland, Italy and the United Kingdom marketed in the United States between 8 and 10 percent of their total exports; France and Germany, 6 to 7 percent; and Holland, 4 percent. Notwithstanding the great expansion of the American market, these percentages remained substantially unchanged in the years 1923–1928. For the United Kingdom and Holland, the American market seems at present to be less important than before the war. It is facts of this kind which the European business man has had in mind in speaking of the rates of the Fordney-McCumber tariff as prohibitive. It is obvious that European goods have not been excluded from the American market, but the trade has been confined within narrow limits and its character has been altered.

The British "Survey of Overseas Markets" of 1925 said:

> It is certain that, among the articles in which quality and fashion are the chief factors, the increased prices necessitated by the tariff have not reduced the volume of shipments from the United Kingdom to the United States. It is equally certain, however, that, in staple lines of manufactures in which quantity and low prices are important factors, the tariff has rendered competition from the United Kingdom practically impossible.[1]

A German specialist on international trade, after careful consideration of the effect of the American tariff policy on European industries, concludes:

> A few branches of European industry can doubtless market something in the United States. In fact, they carry on a very good export business, since generally they can sell to America at higher prices than to other markets. But for European industry as a whole and, in particular, for those branches which may be called key industries, the possibility of export sales are so small that the assertion appears to be justified that herein lies an essential hindrance to the economic recovery of Europe. . . . The tariff is, of course, not the only cause. The increasing competitive ability of American industry, and the consuming habits of various classes of the American population are also involved, but outstanding importance should be assigned to the import duties. In fact the introduction of customs duties in America is nowadays justified on the ground that they make the import of foreign goods impossible, restricting the domestic market to American industries. American business has its attention fixed on the American market, and the tariff shuts off Europe by a Chinese wall.[2]

[1] Report of Committee on Industry and Trade (Balfour Committee), Vol. 1, p. 454.
[2] Grotkopp, "Amerikas Schutzzoll Politik" (1929), p. 240.

The Hawley-Smoot tariff will necessitate a new adjustment on the part of European industry. General statements comparing the average level of our new tariff rates with the general level of the Act of 1922 have little significance and are apt to be misleading. Perhaps the best estimate is that the new duties are about 20 percent higher. But European importers are not so much interested in general trends or averages as in the increased rates on particular items which they consider of substantial importance.

Swiss watches, of which we imported 11 million dollars' worth in 1928, paid duties ranging from 40 to 60 percent of their foreign value. Exact comparison of the new and old tariff rates on watches is not possible owing to changes in classification, but a conservative estimate is that, under the Hawley-Smoot tariff, Swiss watches will pay about 50 percent more than under the former act. About 20 percent of the total output of Swiss watches in recent years has been sold in the United States. Embroidered cotton handkerchiefs, also a Swiss product, which paid 75 percent ad valorem under the old act, will now pay about 100 percent.

Germany will feel the increase in the import duties on porcelain dinnerware from 70 to 80 percent ad valorem, on optical instruments (45 to 60 percent), and on surgical instruments (45 to 55 percent). Silk embroidered articles and silk lace goods, a French specialty, will pay 90 percent instead of 75 percent. Brier pipes, also a French product, will pay about 100 percent instead of 60 percent. French clover seed will pay also double the rate of the 1922 act. Among the Italian manufactured goods which will pay higher duties are silk fabrics, hats and gloves. Belgian cement, formerly entered free of duty, is now dutiable at 6 cents per hundred pounds, which at present prices is equivalent to 17 percent of its foreign value. Belgian brick have also been taken off the free list, and are made dutiable at $1.25 per thousand. The rate on plate glass, imported principally from Belgium, has been stepped up from 80 to 86 percent. These increases will be only partially "sweetened" by lower duties on cut diamonds.

Spanish olive oil was raised from 7½ to 9½ cents per pound, and Spanish onions from 1 to 2½ cents per pound; the onion rate when computed on 1928 values amounts to 118 percent. The imposition of a new duty of 15 percent on shoe upper leather will hit import trade amounting to $9,000,000 annually, which has been shared by Canada, Great Britain, the Netherlands, Belgium, France and Czechoslovakia. France and Czechoslovakia will also

be affected by the new duty of 20 percent on shoes. Increased duties on woolen goods (raised from 70 to 84 percent on the average) will be felt by textile mills in Great Britain, Italy, France and Germany. The list might be indefinitely extended. The samples are enough to show that European apprehension has not been unfounded. In certain cases the ratios which the new duties will bear to the foreign value of goods may prove greater than the figures cited, which are calculated on 1928 prices. When a part of the duty is specific, as in the case of woolen goods, *i. e.* so many cents per pound, the burden of the duty, *i. e.* its ad valorem equivalent, will depend upon market prices. If the present downward tendency of world prices continues, the obstruction to international trade afforded by the compound duties will tend to increase.

European business men, who have been told that the fundamental principle of American protectionism was the equalization of foreign and domestic costs of production, have been amazed at the disregard of this principle shown by the American Congress. Italian exporters of canned tomatoes find the new rate on their product to be 50 percent, whereas a recently published report of the United States Tariff Commission showed that 31 percent would equalize cost differences. The same report indicated that only a 20 percent duty was necessary to equalize foreign and domestic costs on tomato paste, but Congress raised the duty notwithstanding from 15 to 50 percent. Cherries in brine, also imported from Italy, were raised to 9½ cents per pound, although the Commission found that 7½ cents was sufficient to equalize costs. After an exhaustive investigation of the costs of butter production in the United States and in Denmark, three members of the Commission found that a rate of 11.95 cents a pound would be sufficient to equalize cost differences. A single commissioner found a difference of 14.95 cents, but two members of the board vigorously attacked the findings and contended that the facts shown by the investigation justified no increase from the 8 cent rate of the Act of 1922. The 1930 rate is 14 cents. Congress raised the rate on flaxseed to 65 cents a bushel, although the Commission's findings indicated a rate of 56 cents.

In tariff making, as in other provinces of international politics, it is often true that what you do does not count for as much as how you do it. The failure of European exporters, and some public men as well, to understand the American method of tariff

making is partly responsible for the resentment which the Hawley-Smoot Act has aroused. In Europe, at least on the Continent, tariff making is a bargaining process. The usual form of customs tariff contains two or more columns of rates. A single commodity may be dutiable at any one of several rates according to the country of its origin, and the determination of the rate which is applicable to imports from a particular country depends upon the terms of the commercial treaty with that country. Thus periodical legislative revision of general tariff schedules is overshadowed in importance in Europe by the negotiation of commercial treaties. In such negotiations each group of delegates strives to gain the maximum advantages for its national industries and surrenders as little as possible to the opposing side. Inevitably a compromise results, not entirely satisfactory to either side, but each country feels that its economic interests have received full consideration.

The American process is quite different. Our tariff contains a single schedule of rates applying to all imports (with the exception of those from Cuba) without distinction of country of origin. The American principle is equality of treatment for all and special favors for none. It has manifest advantages and is perhaps better adapted than any other to our political institutions. But to Europeans it appears arbitrary, because it affords no opportunity for haggling or for the exchange of concessions, practices which are deep-rooted in European business and diplomacy. In the American system there seems to be small place even for the presentation of the point of view of foreign nations. From time to time during the course of the tariff debate, and particularly in its last stages, foreign governments attempted to get our Congress to consider the effects which some of the proposed changes in rates would have on their industries. Altogether more than thirty nations transmitted memoranda on our tariff to the Secretary of State, who forwarded them to the Senate Finance Committee. Among these communications were some obviously *ex parte* statements. Others made extended use of fallacious arguments. But a respectable number, particularly those from Switzerland, Austria, Belgium and Italy, contained carefully prepared analyses of competitive conditions which were entitled to thoughtful consideration. The communications were printed as a public document, but that was about all the satisfaction that their authors obtained. It would probably be an exaggeration to say that Congress paid no attention to the representations of foreign govern-

ments. Senators opposing rate increases called attention to them in debates, but in the committees where the important decisions were made it was the domestic and not the foreign situation which claimed attention. Even had our Congressmen been more interested than they were in the foreign repercussions of our tariff rates, still the presentation of the foreign point of view by letter or in a printed document is far less effective and gives less satisfaction to the foreigner than the system with which he is familiar, namely, face to face discussion in the negotiation of commercial treaties.

Perhaps it ought to be said here that the Hawley-Smoot tariff was to some extent the occasion and not the cause of the recent explosion of European opinion. French, Belgian or Italian business men seldom think of our tariff policy by itself, that is, apart from other manifestations of our foreign policy. You can't talk tariffs with any one of them for five minutes without his bringing up the question of debt settlements. It is of little use to explain how unrelated these matters are from the point of view of the American Congress. Immigration restriction may be the next topic, and before your conversation is ended, prohibition; or the gold policy of the Federal Reserve Board may be cited as an additional evidence of America's disregard of European interests. Your European acquaintance will not think of denying that immigration, banking, and the tariff are "domestic questions" and that in legislating on them the American Government is exercising sovereign rights. But he may suggest that in matters which so intimately affect the welfare of other nations even sovereign rights might well be exercised with "a decent respect to the opinion of mankind."

The European reaction to the Hawley-Smoot tariff is thus a complex of many factors. Among the sentiments aroused is a large measure of disappointment. When the news reached Europe that Mr. Hoover had been elected by an overwhelming majority President of the United States, the friends of America rejoiced in the anticipation that a new spirit of sympathetic understanding of Europe's problems would characterize our foreign policy. In Brussels, King Albert honored with his presence a distinguished gathering in celebration of the victory at the American polls of "the friend of the Belgian people." Throughout the long course of the tariff debate, until the very end, the hope lingered in Europe that the President would be able to curb the excesses, as they

seemed, of Congressional protectionism. It is a striking tribute to the greatness of Mr. Hoover's reputation in Europe that German and French newspapers, recovering from their disillusion, now express confidence in the President's ability to afford relief to European industries by the use of the new flexible provision.

What will Europe do? In what practical way will the resentment aroused by our new tariff express itself? It is needless to insist that this is a question of first-class importance to American business men. They are told by tariff apologists that they need not worry. Foreigners, it is said, always protest against our tariffs. They made a great fuss in 1922 about the Fordney-McCumber Act, but it all blew over. But business men appreciate, better than those who were responsible for the increase in duties, that 1930 is not 1922. Last year the European market absorbed $2,341,000,000 of American exports as compared with $2,083,000,000 in 1922. American firms now have about $650,000,000 invested in branch factories in Europe. These are indications of the extent to which American business has exposed itself to changes in European public opinion and European legislation. We can no longer disregard the European attitude toward our policies, for we have become vulnerable, and Europe knows it.

Retaliatory tariffs are the most obvious weapons to oppose the new American barriers to European trade. The popular press of France, Belgium and other countries promptly demanded that their governments increase tariff rates on American goods. The example of Canada was cited and applauded. Without waiting for the final stages of our tariff legislation, the Canadian Parliament on May 19, 1930, enacted a new customs tariff which by increasing the rates on certain American goods and by widening the margin of British preference put our trade at a disadvantage. The Prime Minister, Mr. Mackenzie King, although avoiding the word "retaliation," stated that the Canadian legislation was influenced by the increased rates proposed in the American tariff. Mr. King's government has since been turned out of office by the Conservatives, who propose more drastic treatment of the American trade. But Canada is in an exceptional position, because of its dominion status, to retaliate without technically discriminating against the commerce of the United States. Most European countries would find direct action of this kind impossible or inadvisable. To a certain extent American exporters are protected by commercial treaties guaranteeing most-favored-nation treat-

ment. But even countries such as France and Spain, with whom we have only executive agreements terminable at short notice, would hesitate to denounce them and thus proclaim a tariff war on the United States. No European country wishes single-handed to initiate so uneven a struggle. Besides, while it was bearing the brunt of the conflict, its European neighbors might displace its goods in American markets.

Of course, a combination of European nations would have a better chance of bringing the United States to terms by united tariff action. The encouragement of schemes for economic and political federation, such as that of M. Briand, is an interesting by-product of the Hawley-Smoot Tariff Act. In this article we cannot attempt to analyze these schemes or to weigh the chances of their success. But however important the movement may be and however fruitful in future development, it need not enter for the moment into the practical calculations of American business men. Even the more limited scheme of a European customs union, such as was discussed in Paris early in July by unofficial delegates from fourteen European states, gives little promise of practical accomplishment. Leaving aside the nationalistic prejudices which have so long kept these countries apart, the great obstacle to all schemes for raising a customs wall around Europe is that at the same time inter-European tariffs would have to be lowered. Small states such as the Netherlands or Belgium fear to enter a combination which might be dominated by large units. By agreeing to lower their tariffs they would lose a means of securing favorable treatment for their industries by international cartels. The new states of central Europe, anxious to hasten the process of industrialization, would be reluctant to expose their infant industries to German or Belgian competition. It is true that the lowering of trade barriers in Europe has been the subject of active discussion at Geneva, and has been the subject of several international conferences. The conferences were fruitful in noble sentiments but barren of practical achievement, and meanwhile the trend of European tariffs has been upward. It should not be overlooked that European tariff policies for generations have been framed principally with European competition in view, and to substitute as a determining influence competition with the United States is a change too radical to be accepted overnight.

But there are a variety of methods of discriminating against American trade which can be undertaken by a single country, and

without violation of treaty obligations. In Italy, for example, a royal decree which became effective on June 27, ten days after President Hoover signed the Hawley-Smoot Tariff Act, made substantial increases in the import duties on automobiles. The lower-priced American cars will now pay double the former duty and the increase on higher-priced cars will be even greater. The depressed condition of the Italian automobile industry was the reason assigned for the change in duties; retaliation was disclaimed.[3] The fact remains that since over 80 percent of all Italian imports of automobiles originate in the United States, the American automobile industry will chiefly suffer. In Spain a new tariff schedule published July 23, 1930, increased, among others, the rates on such typically American products as automobiles, motorcycles, pneumatic tires, safety-razor blades and sewing machines. It was explained officially that the new tariff duties were not intended as a reprisal against the United States, and that the revision had been in preparation for a long time. In April the French tariff duties on imported automobiles and parts, imported principally from the United States, were increased substantially and in July the rates applicable to American lard were doubled.

In international affairs, as well as in the behavior of individuals, motives are mixed and it would be unjust to impute a single motive to administrative decrees which may have been based on a variety of causes. In the tariff changes which have been cited, and others such as those recently enacted in Australia and New Zealand, the protection of national industries may have been of fundamental importance, but this does not exclude the possibility that resentment against America was also involved. Tariff policies the world over are shaped by the pressure of conflicting interests and in the conflict the desire to pay off America may occasionally be decisive. Besides, politicians and even statesmen are not averse to killing two birds with one stone.

Obstacles to American trade can often be interposed quite as effectively by administrative regulations as by legislative measures. Take for example the embargoes imposed for sanitary purposes. Three days after the Hawley-Smoot bill became effective Great Britain prohibited the importation of certain grades of raw apples from the United States. Argentina has recently imposed

[3] The Milan correspondent of the London *Times*, however, reported in the issue of July 5, 1930: "*It is generally stated that the new customs duties are the natural consequence of the increased* United States duties affecting Italian exports to America."

restrictions on the importation of American eggs. The necessity of taking every means to protect the public health and the health of plants and animals against disease furnishes the strongest kind of justification for sanitary measures such as these, but experience has abundantly shown the possibilities of their use as weapons of commercial policy. The guarantees of most-favored-nation treatment under commercial treaties cannot be invoked against embargoes based on sanitary reasons, or against the rationing of automobiles as now practiced by Poland and Czechoslovakia, or the fixing of quotas for films imported into France and Germany. In cases of this sort American exporters must rely for fair treatment on the protests and representations of our diplomatic and consular officers and commercial attachés. But in the atmosphere created by the Hawley-Smoot Act these officers will not find their task easy.

More serious in its ultimate consequences to American business interests than either retaliatory tariffs or unsatisfactory treatment of our exports at the hands of foreign administrative officials is the threatened loss of the good will of our European customers. As long as the typical American exports to Europe were food stuffs in their crude form, raw materials or semi-manufactures, it did not matter so much what the man in the street in Switzerland or Italy thought about Americans and their tariffs. He continued to eat bread made of American wheat and to wear shirts of American cotton without even knowing the difference. Most of our exports lost their national character before coming into the possession of ultimate consumers. But now highly advertised consumers' goods are making up a steadily increasing proportion of our sales to Europe. By dint of extensive publicity in European newspapers and the vigorous and intelligent efforts of American sales managers, the word "American" when applied to automobiles, typewriters, adding machines, sewing machines, and even socks, shirts and razor blades, has acquired enormous value as a sales slogan. It is an intangible asset which may be destroyed by the resentment of our European customers to what they consider an unfair American tariff. This is the real danger with which American export interests are faced.

Certain journals in Switzerland and in France have not hesitated to urge consumers to refuse to purchase American goods, and there are indications that this appeal has already been responsible for the increasing difficulty of marketing American

specialties in those countries. A general boycott of American goods in any European country would be difficult to organize, since it would require individual consumers to sacrifice the immediate advantage which American goods offer in the way of lower prices or better quality to the rather problematical benefit to be gained by the entire community in punishing America. But once set in motion, the boycott is a most effective weapon and has incalculable consequences. High tariffs are notoriously ineffective in checking the imports of luxury goods, and to an increasing extent imports from the United States partake of the character of luxuries. But a boycott such as that proposed in 1929 by the Royal Automobile Club of Italy, by branding the purchaser of American goods as unpatriotic, puts a most effective end to their importation.

There are other possible repercussions to the Hawley-Smoot tariff lying outside the scope of this article, and these may prove in the long run as unfortunate in their effects on American business interests as those we have discussed. I refer to the losses which may be sustained by American prestige and leadership in international affairs. It would be only natural to expect that for a time at least American appeals to European states to join with us in far-reaching schemes for the improvement of international relations and the welfare of mankind will fall on somewhat unresponsive ears.

Dissatisfaction with American tariff policy has long been evident in academic circles in the United States. The hopeful element in the present situation is the spread of this spirit among thoughtful business men and men of affairs. The new attitude found fine expression in an address made at San Francisco by Mr. Owen D. Young shortly after the new tariff act became effective. He said: "How can we market either our agricultural or industrial surplus to the world so long as we act on the principle that we are not interested in the welfare of any one but ourselves? I had hoped that that old doctrine of narrow and self-destroying selfishness was being supplanted in this new day by a consciousness that men helped themselves the most by helping others, too. Isolation in our politics, exclusion in our tariff, means that we will retain as a just penalty to our own littleness the surpluses which we might otherwise market to the peoples of the world and which, so long as they stay with us, destroy our own prosperity."

AMERICAN RECOGNITION OF RUSSIA: WHAT IT WOULD MEAN TO EUROPE

By Paul Scheffer

DURING the years 1920 and 1922 there was much discussion in Europe of possible "advances" toward Soviet Russia — or rather of Russia's advances toward capitalistic Europe. At that time one heard much the same arguments for the "normalization of relations" with the Red Empire that are being put forward in the United States today by people who believe it an opportune moment for giving new impetus to the movement for a Soviet-American rapprochement. In those days too there were people who took "the world view" and suggested the advisability, not to say the necessity, of "laying less stress on points of difference." Lloyd George urged several European chancelleries to strive for some relationship with the Soviet Union which would "take account of economic facts" and be determined by "considerations of common sense." The German Republic, for its part, actually "turned East" and negotiated the Rapallo Treaty at the Genoa Conference — the first definite manifestation of a trend (then more or less general in Europe) toward readmitting Russia to full participation in European life. The year 1924 saw several formal recognitions. France, Italy and England hurried to get there first. The Soviet Union had already been in existence seven years. The chancelleries of Europe regarded it, economically as well as politically, as "comparatively stable." Ministers and representatives were sent to Russia, duly accredited, and were introduced with all ceremony to the President of the Soviet Union, Kalinin. The Soviet Union was just as punctilious. It sent its diplomatic spokesmen, and they made their regulation bows before kings and presidents. "Normalcy?" What could have been more normal?

Just a year before *de facto* relations became official (in 1923, that is), the British Government had had occasion to send an ultimatum to the Soviets on the subject of the revolutionary propaganda emanating from Moscow, which was causing unrest in India and Afghanistan. And now in December 1924, at the very time when an English Labor Government had recognized the Soviets, Stalin was at Tiflis, outlining a great plan of campaign

for the Third International to promote a world revolution. Economic Europe, he there contended, had reached a stage of stability, though, of course, only for a limited time. Locarno was in fact on the horizon, as well as the Dawes Plan, and in the economic sphere signs of recovery from the Ruhr crisis were everywhere apparent. It was therefore necessary, Stalin proceeded, to attack England by an indirect route, for the cornerstone of the capitalistic system must be shattered first of all. China was ripe for revolution. The upheaval, once launched from there, would spread to India. English business, at the very least, would forthwith be thrown into confusion. Capitalistic Europe as a whole could be reached only in that way — by a detour through the "colonial and half-colonial world." As soon as the center of capitalism had been shaken, the direct attack, as prosecuted between the years 1918 and 1923, could be resumed.

Down to the spring of 1927, when the Kuomintang shook off Bolshevist influence, Moscow assiduously pressed its ideas on China; toward the end of 1926, indeed, they seemed to have become the preponderant force in that country. This was all the working out of the Soviet plans announced by Stalin. It is accurate to call them Soviet plans and not only plans of the Third International, because Borodin, and the military representative of the Soviet Union in China, Bluecher-Galin,[1] had been receiving their orders from various sources, among them a committee made up of Chicherin, a member of the G.P.U. named Jagoda, the chief of the Far Eastern Department of the Foreign Commissariat, and, finally, an officer of the General Staff. Karakhan, the Soviet representative in China, openly preached revolution in Pekin. During the summer of 1925 the principal cities of China were stirred with well-organized and often bloody demonstrations on the part of native Chinese, which tended, according to a unified plan, to rouse uneasiness in the whole country. In all this the initiative came from Moscow.

In England itself a general strike broke out in the summer of 1926. It soon collapsed; but it was shortly followed by a more protracted miners' strike. In both episodes Moscow took ardent and unconcealed interest, both with money and encouragement, and Soviet agitation in England was pushed untiringly and intensively. The British Government broke with the Soviet Union in

[1] The same who commanded the Red armies on the Manchurian frontier during the Russo-Chinese conflict of 1929.

May of the following year. The rupture was based on irrelevant issues, but it was unavoidable in view of all that Moscow had been saying and, in its own peculiar ways, doing. In 1929, exclusively under pressure of internal political circumstances, the newly elected Labor Government resumed relations with the Soviet Union. On the English side it was explained that this was done in consideration of a Soviet promise to abstain from revolutionary agitation in India, an explanation which the official Soviet press at once hastened to deny.

So much, briefly, for the English experience with the Soviets after the resumption of "normal" relations.

The treaty signed at Rapallo in 1922 between Germany and Soviet Russia involved (to judge by what the signatory governments themselves said) not only a restoration of "regular relations" but a political rapprochement in answer to the situation created by the Treaty of Versailles. In January 1923 the French marched into the Ruhr. Moscow at once saw itself in danger. But this was a purely political point of view, and it lasted only for a few days. Shortly the policies of the Third International, the "will to world revolution," recovered their position as the center of interest. The Russian Communist Party now foresaw that the result of the French invasion would be the collapse of German industry and a period of economic depression all through Europe. It was convinced that, provided the situation were properly handled (handled, that is, from Moscow), there were genuine prospects for a revolution in Germany. In the Ruhr area itself the Kremlin did everything possible to sharpen acrimonies between Germans and French, and actually fostered Communist outbreaks (with the connivance of the French garrison). At Moscow, during August and September 1923, a personnel was designated for the taking over of the more important industries in Germany the moment Communism should triumph there. In Russian schools the history periods were devoted exclusively to "the history of the Class Struggle in Germany." An official of the Foreign Commissariat, Kopp by name, went in the autumn to Warsaw — a very striking fact at just that moment, in view of the strained relations between Poland and her neighbor to the East. It was Kopp's errand to secure permission for the transport of Russian munitions (and, by intimation, of Russian troops) through Polish territory over a period of a few days; and, in exchange for such

permission, he stood ready to give Poland a free hand in East Prussia.[2] The munitions and troops, of course, were destined to help the expected German revolution on to victory.

During the Ruhr crisis, the German Government kept protesting privately to Moscow against the presence in Germany of numerous Russian agents of the worst type. It especially deplored two attempts made upon the life of General von Seeckt by a G.P.U. man named Sokolov, a veteran of the revolutionary army, who stood very close to Stalin. Stalin procured the man's release by securing the conviction for premeditated murder of two undoubtedly innocent German students in Moscow.

In the same year Germany reached a commercial agreement with Soviet Russia by which she supplied the Soviets with a credit of 75 million dollars. Numbers of German engineers and master mechanics went forthwith to Russia. Three years later (1928) came the so-called Schachty trial, a prosecution of Russian and German engineers who were alleged to have committed sabotage. The whole case was a "frame-up," made with a definite purpose. The importance which German industry had come to assume in Russia through the work of its representatives there was now regarded as a possible danger to the prestige of the party; and a hue and cry against it was all the easier to raise since a deep hatred for everything German had existed since the year 1923, when the German people had betrayed Russia by not proclaiming a Soviet republic!

In August 1928 the Congress of the Third International which met at Moscow announced its now famous findings: that the "period of stabilization" in capitalistic industry and commerce had come to an end, and in particular that American prosperity was on the verge of a serious set-back. The logical inference from this was that the time had come for resuming revolutionary activity in Europe itself. A number of "starting points" for provoking clashes between the proletariat and the civil authorities the world over (the United States included) were suggested. Instructions were sent to all countries in which there were parties affiliated with the Third International, calling for demonstrations of the unemployed on March 6 and for active celebrations on May Day

[2] The facts of the Kopp episode first became known to the author of this article while he was in Moscow, and he received confirmation of them in London last autumn. Meantime, Bessedowski, sometime counsellor to the Soviet Legation in Paris (the same who escaped by way of the garden wall when his life was threatened by an agent of the G.P.U.), has told the story of Kopp's mission twice, once in an article in a French newspaper and a second time in his book.

("World Proletariat Day") and on the first of August ("World Peace Day").

The direct bearing of all this was made clear by the following episode.

On the first of May, 1929, Voroschilov, the Soviet War Commissar, shouted loud enough to be heard by the sixty thousand people gathered in the Red Square that the proletariat of Berlin had resolved to defend its rights with its blood and to make a demonstration for the world revolution on that very May Day. May Day assemblies had been forbidden in Germany in order to avoid clashes between Communists and National Socialists. Voroschilov, therefore, was evincing unusual disregard for the German Government, since the speech was made in the presence of the German Ambassador and the whole diplomatic corps, which had appeared, as a usual show of courtesy, at the great Red festival. In all this, Voroschilov was directly reflecting the conclusions reached by the Third International during the previous year. Violent demonstrations against capitalistic Germany straightway broke out in all Russia, and the instructions issued to the party explained that in view of the prospects of a determined revolutionary effort in Germany the question of maintaining diplomatic relations with that country had dwindled to insignificance. In the economic field some damage was to be expected, but this would be offset by the imminent reconciliation with England and by improved commercial relations with the United States. It was evidently the idea of Moscow that the necessary commercial support for a vigorous revolutionary offensive on the Continent, where the nations might have recourse to commercial counter-attacks, was to be supplied by the Anglo-Saxon countries.

By the autumn of 1929 Moscow came to see that it had pushed the "Red Front" forward too far and too fast. There was a show of retreat; but the negotiations which have since been resumed with Berlin (at the instigation of the Soviets) indicate that the Soviets are as persistent and stubborn as ever; for these negotiations have proved a failure, though this is denied by both parties. How closely the Soviets' political and revolutionary activities abroad are still associated — how, in fact, they depend the one upon the other — may be seen by the appointment as secretary at the Berlin Embassy of a certain Dr. Goldstein, a man already celebrated in Soviet circles for his achievements as

an agitator, and whose doings in the Balkans are so interestingly described by Bessedowski. According to a recent press report, three members of the Soviet delegation in Berlin have just been arrested for revolutionary intrigues.

The experiences of England and Germany in dealing diplomatically with the Soviets have been sketched here merely as representative of the outcome of many similar experiments. Much the same would have to be said of France, for example, or of Austria, Poland, Lithuania, Estonia and Finland. Especially interesting are the cases of Mexico and some South American countries, but it would take us too far afield to describe them here. It is always the same story: impeccable formal relations with the Soviet Government, accompanied by a continuous revolutionary agitation by the party, either directly or through the Third International — this agitation unembarrassed by the Government or else directly inspired by it. All diplomatic representatives have to consider themselves as instruments of the party as well as of the official Soviets. The duplicity of Soviet diplomacy as regards the "bourgeois" states is indeed apparent.

This duplicity has various aspects in reference to the actual character of the normal relations which the Soviet Union is supposed to entertain with the "capitalistic" states. We shall not dwell too long on the moral factor, though the states which have to put up with Soviet double-dealing undoubtedly lose dignity. As social questions play a considerable rôle in most of those states this fact cannot be considered unimportant.

There is a second and more practical question. To what extent is the security of the bourgeois states endangered by Soviet double-dealing? This is a favorite subject of political discussion the world over; and, indeed, it is not an easy matter to decide.

The problem has two aspects. It is a question not only of security in the absolute sense — in the sense of danger to the existence of the present capitalistic régimes; but also of security in a relative sense — to what extent is a nation exposed to economic mishaps and losses in assets and credit by reason of the economic disturbances which Moscow is always trying to provoke by way of gradual preparation for an eventually decisive blow? The fact, for instance, that there were four million Communist votes cast out of a total of almost twenty million voters in the last national elections in Germany gives no positive gauge

of the actual power of the revolutionary party in that country at the present time, or of the power it might have at some future time were special circumstances to open up real prospects of success for revolutionary action. England, to take another example, is today free, or virtually free, of Communism. But that country has good reason to study the situation in her Asiatic colonies with the closest attention, because recent happenings in China have shown that Communist influence there, though denied by great authorities, must be regarded as endemic, since it raises recurring waves of popular excitement and disturbance to business. Present economic conditions the world over have increased the inflammability of political opinion among the masses. Efforts to overthrow the present social system may prove abortive. Nevertheless the effect of them on the economic situation might well be to make existing conditions worse and to hamper recovery.

In none of the conversations about the future of Communism which the writer has had recently with European and American observers has he heard reference to a third point which considerably complicates the two just mentioned. "Complicates" is perhaps too mild an expression. This third factor is really important enough to give the whole problem an entirely new setting. It is as follows.

At the decennial celebration of the Soviet Republic in November 1927, it was first suggested, with full official responsibility, that the Red Army expected to play a decisive rôle in future Communist revolutions in foreign countries. It was explained at that time that the Red Army was designed to go to the support of nascent revolutionary movements abroad and, combining with these, to set up new Soviet states and assist in overthrowing existing capitalistic régimes. That the powers at the Kremlin had long had this in mind is attested by such events as Kopp's mission in Poland; and Stalin expressed himself to the same purport in a conversation with the author of this article toward the end of January 1923. Not till 1927, however, did the Soviet Government feel itself in a position to impart this idea to the Russian masses, regardless of diplomatic consequences with countries which might consider themselves menaced thereby.

Ever since that 1927 pronouncement the concept of a "strategic unity" prevailing between Red Army at home and Red Revolution abroad has been constantly kept in the public eye in Russia, besides being assiduously cultivated in the minds of the General

Staff and among the directing members of the Third International. There exist several scientific treatises on the strategic problems involved in this idea of military and revolutionary coöperation. The Soviet régime evidently has a very low opinion of the capacity of the bourgeoisie abroad to grasp the significance of the plan. The Soviets, indeed, operate systematically on the principle that the ruling classes in bourgeois countries — far removed, as a rule, from Soviet fanaticism or, if you will, from Soviet idealism — will not take them seriously.

The chances of revolution unquestionably become much more serious in view of this plan for military coöperation. Despite the country's exhausted condition, the Red Army is always being strengthened; no sacrifice is too great. The Soviet public is constantly fed reports about the alleged dangers of war — a well-known tactic on the part of those who desire war. The younger generation is being reared in a strictly militaristic fashion. One of the now sanctified dogmas handed down by Lenin teaches that inevitably war must one day be waged by the capitalistic countries against "the only socialist state in the world." One must have breathed this atmosphere, have watched develop this mixture of warlike spirit and revolutionary enthusiasm, in order to grasp just what it means for the Red Army to be officially connected, and designed to join forces, with all revolutionary movements of the Communist variety in Europe, and for the Red General Staff to be coördinated with the leaders and agents of Communist parties abroad. The notion of coöperation rests on the premise that the chances of any particular Communist upheaval, especially in countries in the neighborhood of the Soviet Union, become immeasurably greater if they are not to depend on themselves alone. Without the Red Army they might amount to nothing — with it, everything. The idea supplies, furthermore, a strong stimulant to Communist parties in other countries (even ones far removed from Russia), especially to enthusiastic young elements. In 1928, just outside Berlin, the Communist Party maintained a boys' camp which actually bore the name of the Soviet Commissar of War.

This situation must be taken into serious account in judging the prospects of a Communist revolution in Europe. It makes the question of propaganda from Moscow a matter of the first importance, even though, in the eyes of a diplomacy which either ignores it or faces it gingerly and reluctantly, it seems little

more than an inconvenience to the daily routine. The strivings of the members of the League of Nations for security and peace are brought to downright absurdity by the presence in their midst of preparations for this new and extraordinary kind of war — a war fostered by unofficial forces and to be waged by official forces when the time is ripe.

One might ask why it is that the Soviets have so long been allowed to maintain a two-faced foreign policy; sometimes, indeed, after having shown their true face, they have even been allowed again to mask it (as in the case of England). The answer must be that political and especially commercial rivalries keep the European Powers, great and small, which are at present enjoying "normal relations" with the Soviet Union, from giving decisive expression to their annoyance at the Communistic agitation emanating from Moscow. Profits within limits are still possible in Russia, and a few of the specialized industries of certain countries have made enormous profits there. Still more important, in this connection, is a widespread belief in the great potentialities of commercial relations with Russia. It is interesting to note, however, that though Germany sends more goods than any other country into Soviet Russia, yet these exports represent only 3 percent of her total export trade as against 12 to 15 percent before the war; and this 3 percent is less than Germany exports to Denmark and Austria! The fact is that present conditions in Soviet Russia make her an interesting subject for speculation and discussion, but that from a national business point of view she is a client of very uncertain value for Europe.

In the diplomatic sphere an important influence is doubtless exercised by the idea, of which the chancelleries of Europe can never be cured, that the doings of the Third International are the private affair of Russia, whereas diplomatic relations are always and everywhere what the phrase implies. This idea is reënforced by the feeling that after all the danger of revolution at the present moment is not very great. Moscow's own opinion in this matter is perhaps worth considering. Moscow says that it is a question of a long struggle; that genuine class-consciousness can spread through the world only gradually, a little at a time; that already the efforts which have been put forth have brought unexpectedly large results in important countries like Germany and France; that the evolution of capitalism, with its huge trusts and the pro-

gressive elimination of small and middling enterprise, verifies the predictions of Karl Marx as to the causes of the coming revolution. It should be added, further, that to the extent of their ability the Soviets have intensified their agitation from year to year. The fact that they may have abandoned a few revolutionary objectives is of no significance — quite the contrary!

The presentment here made runs counter to the hopes that were set glowing at Genoa; but it corresponds to the course of actual events. At the Genoa Conference there was much talk of the "fresh air" which improved business relations were to let in upon the stuffy dogmatism of the Reds. But the fact — a mere fact, but as "hard" a fact as one could desire — is that during the years since Genoa the ruling party in Russia has wholly escaped the influences which the importers of Western methods were supposed to set in motion. Not only that. With the greatest energy and purposefulness it has succeeded in imposing its doctrines on 156 millions of Russians, and has kept them from being in any way trained by Western ideas in spite of a considerable increase of economic relations abroad. From the very outset the Red leaders were perfectly aware of the dangers of contact with Western capitalism. They were much quicker to grasp the threat that capitalism held for them than was the bourgeois West to understand the dangers inherent in contact with the Soviet Union. They all along have understood that they can keep in the saddle only by pursuing a radically Bolshevist policy, that any concessions to the capitalistic system would spell their own ruin, that if any heterodox forces were allowed to grow up in Russia the Red régime would soon be overwhelmed.

We still are not in a position to draw any conclusions as to the effects that American recognition of the Soviets might have in Europe. We must first describe more explicitly the situation existing in the Soviet Union, and the effects which, given that situation, recognition would produce there.

We have already said that the ruling party in Russia is determined to go forward energetically along the road prescribed by its platform, that this, indeed, is a matter of life and death to it. Its object is not merely to promote world revolution — after all, this is only one part of its general program. In Russia itself the party has worked relentlessly to bring into being as quickly as possible the "pure, proletarian, one-class state." After reducing

the Russian bourgeoisie to a mere shadow, it has in the last two years begun to annihilate the economically independent peasantry, even at the cost of serious economic sacrifices.

It is important to observe the exact circumstances under which this policy has been worked out. Its leader, fighting in the front line, has been Stalin. Against him stands arrayed a large number of party comrades, marshalled by Rykov, the President of the Soviet Cabinet, famous for his recurring half-yearly "recantations." This opposition explains itself by saying that the present tempo of socialization in Russia is too rapid and involves serious economic and political dangers. Its leaders are not any the less earnest in their Communism than the people in Stalin's "Center" — they merely differ with him as to tactics. They also attach greater importance than the Stalinists to the perils inherent in too open and too vigorous a promotion of the Third International's program for world revolution.

An article in the last number of FOREIGN AFFAIRS described the delicacy of the situation in which Stalin finds himself as the result of this opposition. It is really much more serious for him than official reports and the censored newspaper articles of foreign correspondents betray. Suffice it here to remind ourselves that in this struggle over tactics the Stalinists make much of the fact that neither the agitation conducted abroad nor the extremist domestic policy of the Soviets, each of which disturbs so profoundly the economic unity of Europe, has had any perceptibly untoward consequences in Russia's diplomatic relations with foreign countries, excepting the transient rupture with England. Stalin has availed himself of this argument most effectively. There can be no doubt that the resumption of relations with England, for example, strengthened Stalin's position in every respect. There followed the Communistic excesses of the winter of 1929–30.

In Moscow the United States is always referred to as "the greatest capitalistic state." This emphasizes the commercial aspect of the question of American recognition. But the political aspect is far more important. Suppose, for example, that the Soviet Union were to obtain a loan from American financiers. The important question would then be as to what influence this loan would exercise on the conduct of Soviet foreign policy. It is plain that in the domestic field the Soviet leaders would carry on their policy of socialization at a more rapid tempo; it may well

be, indeed, that Stalin's plan is unrealizable without such financial buttressing. But have we the slightest grounds for believing, after watching the Soviet Union in action during these past thirteen years, that such a loan, or any kind of economic assistance, would weaken, let alone break down, the revolutionary program of the Soviets abroad? Have we the slightest indication that the Soviets would repay "good will" with similar coin, and not continue to regard such phrases merely as a hypocritical disguise for capitalist greed? Has the existence of commercial relations with bourgeois countries in any way changed the policy of the Communist Party, either at home or abroad? Has it not, rather, served as a basis for military and revolutionary preparations, often against the very countries with which such friendly relations had been established?

We ask these questions because many people are inclined to expect political miracles to grow out of economic relationships. Any contract which a "capitalist" makes with the Soviet Government is looked upon in "class conscious" Moscow as an obeisance on the part of that capitalist before the all-conquering proletariat, and it is so interpreted to the Russian people. This would be true, *par excellence*, of recognition by the United States. For some eleven years now the American Republic has refused recognition on ethical grounds. Moscow would infer from a change in the American attitude that economic considerations had forced the United States to give up its opposition to the Soviet Government; for no one knows better than the people at Moscow that the ethical argument against recognition is as well substantiated and valid as ever. They would promptly attribute the change of policy to America's economic weakness and would joyfully repeat for the thousandth time their well-known slogan: "The most effective ally in the battle of the first socialist state for existence and for final victory will be the greed of the capitalists."

But more important than all this would be the consideration that Moscow, in view of the peculiar mentality that prevails there, would see in diplomatic recognition the *de facto* recognition or acceptance of its principles and of the activities which flow from them. Moscow would attribute America's change in attitude to the growing power of the Soviet Union, or at least to its growing prestige, and to a progressive weakening on the "bourgeois front," of which there is nowadays much talk in Russia. When the great impulse toward recognition swept over Europe in 1924 the inner

character of Soviet policy was still in doubt. But now, after all that has taken place in the past six years, it is unmistakable. From the Moscow point of view, then, it would be a very different thing for America to accord recognition today than it was in the case of the governments which, between 1922 and 1924, belonged to the optimistic school of Lloyd George and could still claim a right to entertain illusions. Recognition, especially by America, would be taken as a certificate of freedom to continue in the same old way.

Under these circumstances recognition by America could only provoke Communist Russia to greater aggressiveness and enterprise in its attacks on the bourgeois European countries and their colonial points of weakness: in other words, upon those very European governments (also commercially important to America) which maintain official relations with Moscow. But we must not consider that this would be exactly an act of bad faith, for Moscow itself says quite frankly that such relations are only "provisory," that they are nothing but makeshifts designed to serve till all such expedients are rendered unnecessary by the outbreak of Communist revolutions.

Most of the moral and economic profit which would arise out of recognition by America would accrue to the Red Army. We have already seen what, in the eyes of the Soviet rulers, that might mean for the peace of Europe. War with the bourgeois Powers is to them as inevitable as the world revolution itself. Recognition by the United States would convince them that they are relatively secure against untoward results of revolutionary activity. They would conclude that they are even more able than they thought to choose unhampered the moment for the "inevitable."

There is nothing speculative about the policies here described. They belong to the realm of fact. They already have left traces in history. They are not to be brushed aside or overlooked in deference to any vague belief in the omnipotence of what we call "common sense," or in the softening, suasive influences of "good will" and "fresh air." They would all acquire greater significance, greater activity, through American recognition.

Turning to the direct effects which American recognition might have within the Soviet sphere itself, we may say that it would be regarded as a personal victory for Stalin, and just the sort of victory he needs. It would be taken as confirmation of his claim that his ruthless policies really do no very great harm abroad. The next

five years, so far as can now be seen, will decide the fate of the gigantic overturn which he and his partners are now trying to force through. They will likewise decide whether the cultural and social unity of Europe as we know it is really to pass away. The fate of the Russian people, today delivered over to a group of violent dictators, can thus be affected to a very material degree by America's decision to give or withhold positive approval of Stalin's measures. In Russia itself that is the principal significance which would be attached to American recognition.

And it would have an identical significance for the uncertain masses in Europe. Their attitude toward the proletarian régime in Russia has been largely determined according as the situation of the Red experiment was favorable or unfavorable. The acceptance of official relations by the United States probably would not raise Soviet prestige very much in the eyes of the European bourgeoisie; but it would raise it enormously among the masses, silencing many criticisms and removing much skepticism. It would give fresh energy to the influences which Moscow exerts in revolutionary circles in Europe. And certainly the effectiveness of these would be the greater at a time like the present, when the economic situation of Europe — and indeed of the whole world — is a matter of such concern and when the future is still so doubtful. The current depression, in Europe as well as in America, accompanied by grave unemployment and a fall in commodity prices, was foreseen by Moscow as early as 1928 at the Congress of the Third International, and the Soviets have based their calculations ever since on a long duration of present conditions. Moscow's orders today are to do everything possible to make the crisis continue and to make it worse. The German Communist Party fought the simultaneous reduction of wages and industrial prices in Germany on this ground alone — and this was the reason for the breakdown of the plan.

Not since the days of President Wilson has America been confronted with a decision fraught with such consequences for Europe as is involved in this question of Soviet recognition. If America decides upon recognition, it may hereafter be necessary in history to say that in 1931 she made her deliberate choice between bourgeois Europe and the Soviets.

I must not be left in the position of saying that it is altogether a one-sided affair. In the event of recognition, the American Government might not be satisfied to carry on "normal rela-

tions" in the abnormal manner that other countries have had to put up with. Such a refusal would presuppose America's willingness to go to any lengths in the protection of her rights against the familiar Soviet tactics. If America did not evade the facts, if she refused to tolerate the existence in her midst of the Third International under the protection of Moscow, or if she insisted on the same freedom of movement for her representatives in Russia that agents of the Soviet régime enjoy in America (to mention only two among many points), recognition might have effects opposite to those of the similar experiments tried by other nations. Moscow would find it difficult, perhaps, to give the nationals of other countries worse treatment than that accorded Americans. To this extent all would profit, and in this possibility lies the reason why so many Europeans who do business in Russia (and particularly German business men) would welcome American recognition.

But the United States could adopt this stern sort of policy only if she grossly underestimated the difficulties of applying it. This is a type of error, to be sure, that often results in great things. But error for error, it would be much more dangerous to believe that Russian Bolshevism is not resolved to go on its way as it has been going, regardless of all external or hostile forces. It must do so if it is to survive. All the devices of the "capitalists" to tame it and "make it fit into their system" are well known in Russia. Moscow yields to them momentarily when it thinks them dangerous. When it judges them harmless, it laughs at them and turns them to its own purposes. In its own eyes the Soviet Power is already victorious. The fact that it has been of the same opinion during each of the thirteen years past is one of the secrets of its greatest strength, and one of the reasons why it is so dangerous to reason about its future as though it were governed by every-day laws of probability.

THE ECONOMIC ORGANIZATION OF PEACE

By Sir Arthur Salter

THE network of treaties designed to prevent war by providing alternative methods for the settlement of conflicts grows rapidly from year to year. Apart from such major instruments as the Covenant of the League of Nations, the Treaty of Locarno and the Kellogg Pact, there are now a host of secondary or subsidiary engagements; and the legal obstacles to resort to war are being constantly increased. The system is not yet indeed logically complete. But if we are attempting to estimate the prospects of its being adequate to save the world from another war, our doubts do not arise from any logical incompleteness in the system, from the existence of any legal or theoretical gaps. The adequacy of the system depends mainly upon the play of two factors: the strength which it can derive from the determined loyalty of those who have constructed or accepted it, and the strain which deep divergencies of interest and policy may impose upon it.

No one can estimate with precision what strength the system will acquire, or what amount of strain it will safely withstand. But we may perhaps assert with confidence that it should certainly suffice to prevent what may be called accidental or capricious wars — that is to say, to settle the casual and occasional disputes and conflicts that arise in the course of the world's business, if deeper and more enduring forces are not involved. On the other hand, it is equally clear that no possible machinery for the settlement of disputes without war can be strong enough to stand every conceivable strain. In other words, future peace depends not only upon the character of the preventive machinery, but also upon whether the normal life of the world is, or is not, such as to create deep and intensely felt divergences of policy and interest which will add to the occasional dispute over a particular question an importance and a danger it would not otherwise possess.

The attention of the world during the last ten years has naturally been concentrated mainly upon the more urgent and restricted task of constructing a preventive machinery. But it is essential to remember that this is only half the task. Equally

vital, and even more difficult, is the long and gradual work of removing the underlying causes which endanger international relations.

II

These main causes group themselves most conveniently into two main categories, the "political" and the "economic." The first are those which spring in one form or another from national (or racial) consciousness, such as jealousy as to national prestige and status, the desire to impose or extend a national influence or culture, the wish to be governed by those of one's own race or under institutions corresponding to one's racial traditions, problems of minorities, revolutionary movements involving the possibility of intervention from abroad, and so on. Economic causes need no definition, though they will call for illustration. They of course include all those deep divergences of real or imagined economic interest, those fundamental differences of policy and conception from which a sense of intolerable injury and injustice may arise.

The relative importance of these two categories of forces, and the relations between them, are not easily described with precision. The political factor tends to be nearer the surface and is usually more obviously and directly related to any dangerous conflict. Sometimes it derives much of its real strength from some economic factor, but sometimes it is almost or entirely free of any such element. At the present moment it is probably true to say that the political factors in international relationships are more important; that in most cases in which there seems any serious chance of a dangerous dispute in the near future the issue would probably be political, not only in appearance but in reality. The fears as to security, and the competitive armaments which both express and increase them; the grievances of minorities; the national ambitions that claim or deny parity in armed forces as an expression of political status; the ententes or associations or alliances of political friends as against others outside the group; the competitive diplomacy in such regions as the Balkans which this process of group-forming evokes; the rival political systems of democracy, dictatorship and Bolshevism, with their external reactions; the historical and sentimental resentments at the transfer of territory to other sovereignties under recent treaties — it is to causes such as these that such danger as lies in the immediate

international situation may be traced. And they are predominantly political, deriving not only their form of expression but their real strength from sources in which divergences of economic interest have a relatively small part.

But of course even in such questions there is often an economic factor, in varying degrees either explicit and conscious or obscure and unrealized. If we consider for example the existing relationship of Germany and Poland, it is true that the sovereignty of the Corridor, the separation of East Prussia, historic memories and claims and regrets, are the matters present to the consciousness of the great bulk of those of either country. But it is equally true that these political differences are made more dangerous, and the accompanying sentiments kept more alive, by the direct conflict of economic interests between the producers of coal and of pigs in the two countries. Only a limited class are concerned to keep out the others' pigs or coal, or secure free entry for their own, but they are enough to add considerable strength to the more widely entertained political sentiments. In the questions that turn on changes of frontier the sense of economic loss is also a real factor. And the issue between different forms of government is obviously a mixed one as well.

It remains true, none the less, that if a considerable war broke out in any near future an accurate analysis of its causes would be likely to assign the predominant weight to political rather than economic causes.

III

The present political situation is, however, a very misleading guide to any long-term estimate of the future. It is inevitable that for a decade or two after a long and great war which has inflamed all sentiments of nationalism and established new sovereignties and new frontiers, political resentments and disputes should retain an abnormal and disproportionate place in the life and consciousness of the world. We may expect that as the world settles down again to its normal life, as memories of the war and its immediate consequences grow more distant, as here and there adjustments are made and grievances removed, the content of men's thought and consciousness will change accordingly. Political resentments may last long, but in their nature they tend to diminish unless special causes revive them. After all, the normal concern of most men in most countries is how to earn the necessi-

ties of life, or to add luxuries to the necessities. Some men at all times, and at some times most men, are supremely concerned with political aspirations or ambitions or resentments. But these are the exceptional persons or the exceptional periods. If the preventive machinery, aided by memories of the last war and by war weariness, can prevent the political resentments arising out of the last struggle from causing another outbreak for some substantial time, nearly all the specifically political forces which make for danger will tend to decrease.

No similar tendency to diminish can be observed in economic dangers. In any future that we can foresee the main occupation and concern of mankind will be the economic struggle; competition between individuals and between groups, whether of the same or different countries, will remain a basic element in human life. The forces so engendered are potentially the strongest in the world, and if they are so developed and directed that their collective might comes into conflict with any human institution, it is difficult to imagine the institution that can withstand the strain.

We may therefore perhaps go a little further than we did above and say that, in any reasonably long view of the future, not only will political dangers tend to diminish in force unless they are reënforced by economic conflicts of interest and outlook, but that the preventive machinery is likely to be adequate to prevent them from leading to war. The risk remains, however, that the normal economic struggle may be so deflected or aggravated as to create not only deep divergences of economic interest between different masses of the world's population but a growing sense of injury and injustice; that the methods and policies responsible for this development may become identified with the collective authority of national governments; and that they may supplement, strengthen and inflame political resentments. In that case no preventive machinery is likely to withstand the strain indefinitely.

No subject, therefore, merits more serious study than that of the forms which economic conflicts are likely to take under modern conditions, and the ways in which we may hope to mitigate the resultant dangers.

IV

Economic factors have always been an element in the complex of conditions leading to war. But sometimes they have been subordinate and subsidiary, as in the periods when conflicts turned

mainly upon the personal ambitions of rival dynasties or the fervor of religious proselytism; and when they have been dominant they have assumed very different forms in different periods. In early ages came the mass invasions of nomadic races; in many periods occurred the forcible acquisition of neighboring territories for mixed motives of power, glory and economic resources; as late as the nineteenth century we had the partition of Africa by a process of competitive diplomacy involving danger at every step, and the similarly competitive demarcation of spheres of influence in such countries as China or Persia.

None of these forms of economic competition or conflict are characteristic of the present age. It may be, of course, that some will recur, but for the time being the form and direction are different. The forcible domination of one civilized country by another is recognized as impracticable; the partitioning of the uncivilized parts of the world into colonies has more or less reached its end; and there is no very pressing danger of the forcible transfer of territory from one colonial power to another. The characteristic form of the present struggle is to be found not in the acquisition of territory but in the use of the power of government to influence the course of trade between one territory and another. But before we attempt to define this with more precision it will be well to narrow the field still further by exclusion.

The danger ahead does not consist in the fact of competition itself and cannot be entirely removed by the substitution of co-operation for competition. In many spheres this substitution may be practicable and desirable, but its effect will be rather to change the area within which competition operates than to eliminate it altogether. In any future which we can foresee, competition in some form is likely to be a basic fact of human experience. Nor is there any reason why competition in itself should injure or embitter international relations. The competition between individuals of different countries, as between those of the same country, must involve incidental loss and dislocation, but in the first case as in the second it should bring a general benefit far transcending individual losses: and if it operates within a suitable framework of treaty law and accepted custom which is comparable to that operating in each country in the form of commercial and criminal law, there is no reason why it should lead to international conflict. It is a complete fallacy that the industrial advance of one nation involves loss (apart from incidental dislocations) to others.

The industrial rise of Germany in the second half of the nineteenth century seemed to threaten Great Britain's prosperity, and did indeed inflict injury upon individual businesses; but it probably brought more custom than it took away. Nor is it likely that the competition of individuals, even if it includes methods which cause friction and ill will, would endanger international relations very seriously unless it were helped by the action of governments representing the collective authority of their countries and engaging their collective responsibility. We may indeed say that by far the most serious and urgent economic dangers of conflict are those which arise from the relations of governments to the process of economic competition, and that most — though not all — arise within the sphere of commercial policy. They are the net result of a number of different factors: the technical development of industry (and to some extent agriculture) in such a way as to make the normal market much wider than the range of the territories comprised within the range of existing frontiers; the technical development of the machine of government and administration which makes possible intricate and extensive measures of control, restraint and preference which deflect the course of trade; and the absence of any accepted code of principles and policy to determine the limits within which these powers can be exercised.

V

In tracing the operation of these factors in different spheres of government action it is natural to think first of the question of tariffs. Of all the forms of government action which affect the economic interests of other countries, tariffs have the most extensive and considerable economic consequences. Practically all countries have some protective tariffs, though they vary very greatly in range and in height; nearly all countries depend to a substantial extent on both exports and imports; a very large proportion at least of manufactured articles are subject to a duty as they pass a frontier; and the natural effect of duties is both to reduce imports and exports and to increase the price of the articles on which they are imposed. Under these conditions no other measures, whether of subsidy or prohibition, or control of production, have any comparable importance in the general economy of the world. It does not follow, however, that tariffs must be or will be the most dangerous source of conflicts and ill will. It is of

course true that as the natural range of economic activity grows wider and tariff units show no similar tendency to grow in size, the clash and conflict between the claims of nationalism and economic interest increase, and tariffs more and more cramp industrial development and deflect the natural courses of trade. But the tariffs in themselves, even high tariffs, while economically important, will not necessarily have correspondingly serious political consequences on international relations. If tariffs, even high ones, are non-differential, or differential only on accepted principles and conditions, and if they are not too unequal and are stable, they are in all their effects very much like natural obstacles such as mountain ranges, which make transport more difficult or expensive. That is, they mean some economic loss, but it is a measurable one, the economic organization accepts them as a fact and adjusts itself, and the ill-feeling engendered may not be very great. Countries do not normally regard themselves as having a natural right to free entry into each others' markets. But it is different if they are deprived, especially suddenly, of a right previously enjoyed, if large and important industries which have grown up in response to a trade demand made possible by free entry or low tariffs are suddenly dislocated or destroyed by new duties.

In other words, it is not so much tariffs in themselves as the arbitrary methods by which they are framed and imposed, that are a serious element in international relations. And from this point of view it therefore is best to concentrate attention rather on tariff-making methods than on the general issue of free trade or protection. The first may be preferable in the interests of general world prosperity — that is another question — but so far as we are aiming at removing a serious element of friction in international relations we can fortunately largely secure our object by a more practicable method than that of abolishing tariffs. What we most need is to reform their abuses. We shall have enough to do even within this restricted sphere. Many countries still frame and inspire their tariffs under the pressure of various organized interests, when they happen to feel like it and with very little consideration of the kind of dislocation that may be caused elsewhere; the only restraining influence, and that is partial and ineffective, is the fear of retaliation. But both in existing practice and recent policy we see indications of the line of advance. The network of commercial treaties which has been renewed in the last few years in Europe gives at least some

temporary stability as between the contracting states. These treaties, however, are usually subject to denunciation within a short period, and the conference held last March in Geneva showed a clear recognition that more is needed. The Commercial Convention then signed provided for a continuance of existing commercial treaties, and embodied the important principle that if a contracting state desired to change a tariff consolidated in a treaty it should give notice and an opportunity of consultation with any seriously affected state. The actual legal effect of this convention is not considerable. But the principles of greater stability, due notice, and the opportunity of consultation — with the practical recognition they involve of the legitimate interest and concern of other countries in a proposed new tariff — may prove of the utmost importance in the future development of the world's commercial policies. It is perhaps not too much to say that if they could be given an adequate extension and application, tariffs, while still a factor in the course of the world's economic development and a retarding force in the growth of prosperity, would cease to be a source of very serious friction in international relations.

In contrast with tariffs, state-aided "dumping" causes an amount of friction altogether out of proportion to the actual range of its economic effects. From time to time, in a period of serious depression in some industry which can exercise political pressure, a state assists it to sell its products for export at less than the home prices. When this is done intense feeling is aroused and the effect on the general relations of the country with other countries which both produce and import the commodity is at once noticeable. What is serious is the combination of state association and of dumping. A state subsidy to an industry, even an exporting industry, is very much less resented; indeed, if it is stable and is not accompanied by any differentiation between home and export prices, it comes to be accepted by foreign competitors almost as if it were merely a natural advantage possessed by the industry in question. In time it is seen that it is the home taxpayer who has the more real and enduring grievance. On the other hand "dumping,"[1] if unaided by any form of state action, has a restricted effect, though of course always a regrettable one. It is restricted both in extent and in time by the pressure of home

[1] Which is here used throughout in its strict sense as the fixing of prices for export at less than those for sale at home.

competition, which is always tending to force down home prices to within a small margin of the cost of production; and as the collective responsibility of the nation is not involved, the resentment is confined to the private individuals concerned.

A further category of difficult problems is raised in connection with raw materials. From time to time a government attempts either to enhance above its natural level the price of raw materials produced in territory under its control or to give some advantage to its home-exporting industries by differential prices or preferential supply. Such action is promptly resented abroad and, governmental action being involved, affects political relations. Even more important is the fact that the constant possibility of such action makes countries covetous of territories rich in raw materials which are at present in the possession of other countries. Obviously, if it were an accepted rule that raw materials required by the industries of many countries should always be available on equal terms to all comers, the motives for the forcible acquisition of colonies would be immensely reduced. I am not now suggesting either that such a principle is just and practicable, or that it is not. What needs first to be recognized is that there are no universally accepted principles of policy, that it is very desirable that there should be, and that a necessary preliminary is for many questions to receive close discussion and examination. Is there a real distinction in natural equity between a country reserving its home markets by a tariff or a prohibition against foreign imports and reserving or restricting its supply of raw materials in order to secure a competitive advantage? Should a distinction be made between raw materials produced in the territory of a self-governing sovereign power and those produced in non-self-governing colonies under its control? The range of problems thus suggested calls urgently for serious attention. At present there are few instances of either restriction of production or differential sale of any of the main raw materials. But there have been sufficient instances in the past to keep alive apprehensions as to what may happen in the future. It is much easier to prevent the establishment of undesirable practices than to abolish them once vested interests have grown up round them, and it is well, therefore, that we should not wait till the problem presents itself in a form at once more difficult and more dangerous than at present.

So far I have illustrated the dangers arising out of governmental action in the sphere of commercial policy. Similar issues

arise throughout a wide range of daily administrative practice. Take as an example the current work of legations, especially in small capitals. A large part of this work consists of helping the nationals of their respective countries to obtain contracts and concessions. How far is it right and desirable that a minister or a commercial attaché should occupy himself with this sort of thing? Here too there is a singular absence of any recognized etiquette limiting the sphere and prescribing the methods permissible to those who, as official representatives, necessarily engage the collective responsibility of their countries in anything they do. Clearly it is right that they should insist on justice and fair treatment for their nationals. It may also be convenient that they should supply information as to local law and custom, and perhaps regarding trade opportunities, though trade organizations organized privately might do work of this kind. But it is notorious that a minister often goes further. He represents it as being a matter of some interest to his government that a contract or a concession or a loan should be given to a firm of his own nationality. His representation may carry suggestions as to political favor or displeasure; and if negotiations of quite a different character — such as the arrangement of an entente or the funding of a foreign debt — are in progress between the two countries, the ministerial intervention may well be decisive. Is a minister justified in using pressure of this kind? Certainly one minister is often suspected of doing so by others; resentment follows; and the disturbance in the relations between the legations is transmitted to their respective foreign offices. The impact of such competitive business diplomacy upon the politics of small European capitals is often very regrettable. Here again the point to stress is that practice in fact varies considerably; different ministers and countries have differing standards. There is no generally recognized and observed code of behavior in such matters, and in its absence friction is inevitable. This may seem to many a trivial source of economic difficulties, but not to those who have watched closely the practical working of modern diplomacy.

Another series of problems, in quite a different sphere, is presented by loans to governments, especially loans of substantial magnitude by important houses or combinations in the great financial countries to small countries with unstable political systems and weak or possibly corrupt governments. For example, suppose a loan is made, perhaps on extortionate terms, perhaps

for unwise objects, and perhaps to an unconstitutional government which spends it corruptly; suppose further that a subsequent government repudiates the debt. Should the government of the lenders' country use its influence, which really means the authority based in the last resort on its known possession of armed forces, to insist on the observance of the loan contract? If so, in what circumstances and under what conditions? Or suppose a large banking house arranges a loan which is used for military preparations, and possibly aggressive action, against a neighbor state. Should such loans be subject to a government veto? In some classes of loans to governments, the right rule may be complete government abstention from beginning to end; in others, prior governmental consideration or even international consideration. In this sphere the need probably is not for a new extension of international law, embodied in treaties and binding governments as to the form of action they should take, but for the gradual building up of a recognized standard of behavior and the application of recognized principles suitable to different classes of loan operations.

VI

These instances from different kinds of commercial policy and practice will serve as a basis for considering the methods by which we may mitigate the indicated dangers. Some of these have already been tentatively suggested. It is clear that no single method or guiding principle will suffice. Sweeping and drastic efforts to eliminate governmental action from all interference in the economic struggle by means of an international treaty — whether or not this is the right ultimate ideal — are impractical and will not help us through the difficulties of the near future; but within a small sphere the definite abolition of government action, or its restriction within exactly defined limits, may be practicable and desirable. A convention to restrict the cases in which actual prohibitions of imports or exports shall be permissible was recently signed and ratified by the United States, Japan, Great Britain, and by most countries in Europe, and only failed to come into complete and effective operation through the abstention of a single European country. Within this limited sphere this is clearly the right method, and it should be pursued till success is achieved. In the sphere of tariffs, the immediate objectives are indicated by the Commercial Convention of last March — greater

stability, reduction, consultation; and these objectives should be pursued through governmental action, as opportunity offers, so as to extend their application in range, time and content.

But it is equally clear that for the greater part of the problems described — in many of the spheres of administrative practice, in loan policy, in the questions raised by raw materials — the time for governmental negotiation has not arrived. Public opinion is not prepared, and in some cases even the necessary basis of knowledge is not available. The present need is for a conscious effort by all who are interested in the improvement of international relations to win continuous attention for this aspect of economic problems. Research as to existing facts and practices must be actively pursued, and there must be constant discussion in conference and in published writings of the principles involved. In this way we shall gradually build up an informed and active public opinion, the necessary prior condition for the translation into treaty law and actual practice of the principles which seem at once the fairest and the most likely to mitigate occasions of friction. Universities, organizations concerned with the discussion of international affairs, individual economists and historians, foundations which encourage and direct research, all have their part to play. Gradually in successive spheres, as knowledge and public opinion and the general temper of the world make it possible, official negotiations may consolidate results in binding conventions or in agreed recommendations of doctrine; and over a wide sphere a standard of recognized practice may develop and win acceptance. If in this way it is possible to create a framework of law and custom which will limit and direct the forms and channels of international competition (especially the action of governments in this sphere), and which is comparable to the body of law and practice that eliminates the worst evils of competition within each country, then the greatest potential danger to the future peace of the world will be averted. But if in the stress of economic depression in this industry or that, one government after another takes action which others consider injurious and unjust, if there is no restraint of either law or recognized custom distinguishing between what is permissible and what is not, it is inevitable that there will be an increasing embitterment of international relations, and sooner or later the preventive machinery established to save the world from further wars will break under the strain.

BELGIUM'S POSITION IN EUROPE

By Paul Hymans

I WELCOME this opportunity of describing to careful students of international problems the general trend of Belgium's foreign policy as it has developed since the war. The outstanding characteristic of such an account ought to be preciseness. In my description of negotiations and in my examination of treaties, then, I ought to quote texts, compare them, interpret them and, to some extent, touch on the technique of international law. In view of this care for clarity, the reader will perhaps forgive me if parts of my account are rather dry.

At the end of the war the Belgian Government was faced with a double duty: to find a new basis for the country's security, and to regulate the financial consequences of the war — reparations, war debts, the monetary crisis.

Before the war the international Statute of Belgium consisted of three treaties signed in London on April 19, 1839: the first between Holland on the one side and Austria, France, Great Britain, Prussia and Russia on the other; the second between Belgium and Holland; the third between Belgium and the five Great Powers mentioned. The treaty between Holland and Belgium determined the frontier between these two countries; Article 7 provided that Belgium should form an independent and perpetually neutral state. The treaty also provided for the status of the rivers, especially the Scheldt. These provisions were guaranteed by the five Great Powers in the third treaty.

The attack of August 1914 destroyed this system. Two guarantors of Belgian neutrality, Germany and Austria-Hungary, violated this neutrality, and another guarantor, Russia, later failed in her engagements. Belgium was forced into the war in spite of the treaties of 1839, and with the aid of her faithful guarantors defended herself against her aggressors.

Would it be necessary, after the war, to restore Belgium's perpetual neutrality? That was one of the most serious problems facing the government that had fled to Le Havre. After most careful study, the Cabinet became convinced that the system of 1839 could not possibly apply, and responsible opinion in Belgium confirmed them in this attitude. Belgian neutrality was a political arrangement of general European interest,

founded on the balance of power of the five great states of the time. The system had stood the test of the Franco-Prussian War. But it was now evident that the separation of Europe into two rival groups of Powers had radically changed political perspectives since the beginning of this century, and that the efficacy of the 1839 system in time of crisis was accordingly diminished; as a result it was clear that our country had from that time very little chance of remaining apart in a general war. Could any one dream of reëstablishing the former statute after the war? Obviously, Belgium could not count on the three guarantors who had defaulted; the burden of the guarantee had fallen exclusively on the two faithful guarantors. But this was no longer the régime of 1839, based on the equilibrium of five Great Powers: the old formula had covered an entirely different situation.

In September 1918 the Belgian Government notified France and Great Britain that it believed the restoration of permanent neutrality was impossible because of the new situation in Europe. "The international Statute which Belgium intends to win," it stated, "is complete independence without conditions, whether political, military or economic."

As events had destroyed the principal political clauses of the treaties of 1839 — that is, the clauses of neutrality and of guarantee — a general revision of these treaties was desirable. Here was an opportunity to place Belgium's security on new and firmer foundations, in order to prevent a return of the catastrophe that had overtaken her. It was proper also to remedy the disadvantages that experience had shown in the interpretation or application of the treaties of 1839 as regards the economic clauses, especially those relating to river communication with the sea and with the Rhine. As early as the armistice, in fact, the Belgian Government had demanded the revision of these treaties.

Such a revision was ordered by a resolution of the Supreme Council of the Allied and Associated Powers on February 26, 1919. On June 4 a resolution passed by the Council of Foreign Ministers of the Principal Allied and Associated Powers directed a commission, called The Fourteen (composed of representatives of these Powers, as well as of Belgium and Holland), to submit proposals involving neither the transfer of territorial sovereignty nor the creation of international servitude. Belgium and Holland were invited to present their proposals concerning the navigable

channels. The result of the conferences to which these proposals gave rise will be described later, when I discuss the present state of the negotiations between Holland and Belgium. The members of the Commission of Fourteen agreed to declare for the annulment of Belgian neutrality, but the conditions and the guarantees of future security were the subject of lengthy discussions that had no definite result.

There emerged from the political negotiations in Paris no new judicial statute to replace that given Belgium in 1839. From January 10, 1920, when the pact of the League of Nations came into force, until the Locarno Treaties came into force, her security was based exclusively on the provisions of the Pact of Geneva.

Belgian public opinion had welcomed with enthusiasm the idea of uniting the nations of the world in a league that would assure the security of its members. And our grateful memory still goes out to the great American who, almost a year before the end of the war, in his memorable address of January 8, 1918, to the American Congress, described the character and aims of the institution that he had conceived of: "A general association of nations must be formed under specific covenants for the purpose of affording mutual guarantees of political independence and territorial integrity to great and small states alike." I was one of the committee that drew up the Covenant in Paris in 1919, under the chairmanship of President Wilson. The text of the Covenant is well known; it has been studied and expounded; its real guarantees and its deficiencies have both received attention. I need not recall them here.

The Council of the League of Nations met for the first time in Paris on January 16, 1920. The first Assembly of the League was held in Geneva from November 15 to December 18, 1920. It was a great honor for the Belgian Minister of Foreign Affairs, the head of the Belgian delegation, to be called on to preside over this first Assembly. I participated in the efforts of the Council to build up a positive foundation for the new institution. The rôle of Belgium never varied throughout; it was always inspired by the wish to create a state of mind which would permit of loyal coöperation, without any mental reservation, among the nations represented at Geneva and to set up a coördinated system of arbitration and of security.

On December 13, 1920, the Assembly approved the statute of

the Permanent Court of International Justice, and it came into force the following autumn, after ratification by the majority of the members of the League. On September 25, 1925, Belgium accepted the compulsory jurisdiction of the Court in those juridical disputes mentioned in Article XXXVI of the Statute. The Belgian Government, then, can — if necessary, by unilateral request — lay any dispute before the Court, with the exception of legal disputes of ancient standing, provided the defender state has like Belgium recognized the Court's compulsory jurisdiction.

Attempts were made at Geneva to supplement the very substantial guarantees contained in the Pact by new guarantees of a general nature. Unfortunately the members of the League could agree neither on the plan of a treaty of mutual assistance nor on the Protocol of Geneva of 1924, which, while facilitating the declaration of aggression, tended to make impossible differences of opinion in the Council of the League of Nations over disputes submitted to that body. The Fifth Assembly of the League recommended the conclusion of conventions of arbitration and of treaties of mutual security. The first and the most important of these were the Treaties of Locarno; and they were the ones that gave Belgium a new political statute in place of that of 1839.

Of the international accords initialed at Locarno on October 7 and signed in London on December 1, 1925, I shall consider only the two that concern Belgium: the Rhine pact between Germany, Belgium, France, Great Britain and Italy, and the arbitration treaty between Germany and Belgium. In contrast to former alliances, the Locarno Rhine pact is against no state and affords each of the contracting states the same safety. The preamble expresses the wish to give "to all the signatory Powers concerned supplementary guarantees within the framework of the Covenant of the League of Nations and the treaties in force between them." It declares void the treaties of Belgian neutrality. One of its principal results is to substitute a new system in place of the former Belgian neutrality: it gives us the guarantee of France and of Great Britain, and with them, Belgium was particularly happy to note, that of Italy. It is the Rhine pact, accompanied by the treaty of arbitration, which replaces for Belgium the political statute of 1839.

By Article I of the pact all the contracting parties guarantee, individually and collectively, the inviolability of the frontiers

between Belgium and Germany, and between Belgium and France, as determined by the Treaty of Versailles; the maintenance of the territorial *status quo* between these Powers; and the observation of the arrangements of Articles XLII and XLIII in the Treaty of Versailles concerning the demilitarized zone. Germany and Belgium, and also Germany and France, engage (Article II) not to expose themselves to attack or invasion and in no case to resort to war. Finally, by Article III, Germany and Belgium, and Germany and France, undertake to settle their disputes by pacific means.

The Rhine pact, then, constitutes a condemnation of war between the contracting parties. It completes the guarantees of the pact of the League of Nations in two important respects. First, the prohibition of war which it formulates applies even in the eventuality in which the Pact of Geneva admits that armed intervention might be legitimate, namely when, knowing of a conflict, the Council of the League of Nations cannot come to a unanimous agreement (Article XV, paragraph 7). Second, the Rhine pact provides for immediate aid to the victim in case of flagrant violation of these agreements.

By the arbitration treaties signed at Locarno judiciable disputes can, by agreement between the parties, be submitted to a permanent commission of conciliation, and if conciliation fails they must be brought before either a tribunal of arbitration or the Permanent Court of International Justice. Non-judiciable disputes must be submitted to the permanent commission of conciliation and are then brought before the Council of the League of Nations.

It should be noted in passing that the numerous arbitration treaties concluded by Belgium during the past few years establish a method of regulation clearly superior to that of the Locarno arbitration treaties. According to their terms, judiciable disputes are immediately brought before the Permanent Court of International Justice, while non-judiciable disputes must be submitted to an arbitration tribunal; no conflict, whatever its nature, can avoid a peaceful solution.

Finally, realizing a hope that mankind had cherished in vain for centuries, the General Pact for the Renunciation of War, signed in Paris on August 27, 1928, has for the first time outlawed war. The gratitude of the world is due to the men who first conceived this great act — to M. Briand, the author of a plan for

a Franco-American pact of perpetual friendship, and Mr. Kellogg, who proposed a multilateral pact between the principal Powers, to which all states would be invited to adhere. Belgium was among the first fourteen signatories of the Pact of Paris.

The terms of the pact are well known. The Belgian Government was pleased that the pact maintained the rights and obligations growing out of the Covenant of the League and the Locarno treaties, which, as I have said, constitute the fundamental guarantees of Belgian security. A commission is busy in Geneva attempting to bring the League Covenant into harmony with the Pact of Paris, by amending Article XV, paragraph 7, and also Article XII, in order that recourse to war can no longer, under any circumstances, be considered legitimate under the terms of the Geneva Covenant.

Since Locarno, then, the security of Belgium has a new basis. But, as I said above, the revision of the 1839 treaties ought to include also their economic clauses, especially those concerning river communications with the sea and with the Rhine.[1] This revision gave rise to negotiations with the Dutch Government which are still under way.

In accordance with the resolution of the Principal Allied and Associated Powers on June 4, 1919, the Commission of Fourteen invited Belgium and Holland to present proposals regarding the régime of the navigable channels. After nine months of negotiation the Belgian and Dutch delegations agreed on a rough draft of an economic treaty. The proceedings were interrupted by a dispute that came up unexpectedly between the two governments concerning the sovereignty of the Wielingen Channel, which gives access to the Scheldt and, being almost entirely within three miles of the coast, constitutes part of Belgian territorial waters. Four years later the two governments decided that it would be enough, when the time came to sign the treaty, to renew the reservations of sovereignty repeatedly formulated by them during the nineteenth century.

Negotiations were renewed after I had talked in Geneva in September 1924 with M. de Karnebeek, Dutch Minister of Foreign Affairs, and on April 3, 1925, M. de Karnebeek and I signed, at The Hague, the "treaty revising the treaty signed in London April 19, 1839." The treaty included a political clause

[1] Cf. "The Scheldt Dispute," by Robert H. George, FOREIGN AFFAIRS, Vol. 6, No. 1, pp. 155–157. (*Editorial Note*).

(Article 1), by which the contracting parties recognized the abrogation of Article 7 of the Treaty of London which established Belgium's neutrality, and also (Article 14) the stipulation that Antwerp should be a commercial port only.

The economic clauses of the new treaty met the wishes of the Belgian Government by assuring the navigability of the Scheldt at all times and also by creating rapid and certain communication by Dutch waters between Antwerp and the Rhine. The principle was laid down that the lower Scheldt between Antwerp and the sea ought always to be ready to handle the traffic resulting from ship building and increasing navigation. An administrative commission was to draw up rules covering all the details connected with navigation, and it was decided that in case of disagreement between its members or between the two governments the dispute was to be brought before a commission of arbitration. The Dutch Government had previously closed the two branches of the western Scheldt by which ships proceeded from Antwerp to the Rhine, and had replaced them by canals. We considered the facilities offered by these canals as insufficient; accordingly, the treaty provided for the construction on Dutch territory of a waterway from the docks of Antwerp to the Hollandsch Diep near Moerdijk (the projected Moerdijk Canal). Further, it provided for the construction of a canal from Antwerp direct to the Rhine, across Dutch Limbourg. The Belgian Government agreed to complete and improve water communications from Rotterdam to the Meuse and the Moselle.[2]

The treaty was approved by the Second Chamber of the Dutch States-General by the feeble majority of three votes. It was defeated in the First Chamber by two-thirds, principally because of the opposition of Dutch commercial and maritime bodies, which believed their interests endangered. This defeat came as a shock to Belgium. Negotiations have subsequently been resumed, but so far without issue.[3]

Belgium insists upon the establishment of good communications between Antwerp and the Rhine as an essential factor in her prosperity. Holland also is interested in ending a dispute which has dragged on so long, so as to make possible neighborly and

[2] By a treaty signed May 22, 1926, Belgium, France, Great Britain and Holland agreed that the treaty of April 3, 1925, between Belgium and Holland involved the annulment of the treaties of April 19, 1839.

[3] Both Governments have set forth their positions in official notes, the texts of which may be found in the Gray Book published July 1, 1929, by the Belgian Government.

intimate economic coöperation. I am sure that eventually the negotiations will lead to an understanding. There are many economic bonds between the two countries, and an agreement would be of benefit to Europe in general.

I ought at this point to say a few words about the economic and financial policy of the Belgian Government. On their return to Belgium after the armistice, the King and the government found the countryside devastated, cities and villages destroyed, industrial plants ruined. Reconstruction and reorganization called for the most strenuous efforts, and as she was without immediate resources of her own Belgium had to have recourse to loans. Furthermore, the government had to redeem at par the 6 billions of marks (7½ billion francs) that the Germans had introduced into circulation during the occupation; this action alone resulted in an inflation of 5 billion francs. The Belgian currency of course depreciated still further subsequently. It was impossible either to set up regular budgets or to stabilize the currency unless it was known what Belgium was to receive in reparations.

Belgian statesmen and financiers played an important rôle — sometimes even a preponderant one — in the settlement of the reparations question, both at the conference at London in August

1924, when the Dawes Plan was adopted, and at The Hague in August 1929 and January 1930, when the Young Plan was adopted. I ought particularly to underline the part played in that second conference by M. Henri Jaspar, the Belgian Prime Minister, who was chosen president because of the confidence he inspired in all the delegations; he acted as mediator and conciliator in the settlement of many delicate points.

Between the adoption of the Dawes Plan and the adoption of the Young Plan, Belgium succeeded in consolidating her foreign debts. Article 232 of the Treaty of Versailles substituted Germany for Belgium in the matter of the debts contracted by Belgium with the Allied and Associated Powers up to November 11, 1918. Belgium was also freed of her war debts to France and Great Britain. But this was not true of her war debt to the United States, since that country did not sign the Treaty of Versailles. This debt was arranged on equitable terms by the agreement of August 18, 1925. On December 31, 1925, Belgium also arranged her post-war debt and her Belgian Congo debt to Great Britain.

The Belgian Government was now in a position to stabilize the franc. This was brought about in October 1926 as a result of energetic measures (notably the forced consolidation of the floating debt) and thanks to a foreign loan of 3 million dollars. Finally, by an arrangement of July 13, 1925, which came into force at the same time as the Young Plan, Germany agreed to a partial indemnity to Belgium for the cost of having had to redeem the German marks.

But it was not enough to repair the losses directly due to the war; it was also necessary to reëstablish the interrupted exchange of goods between Belgium and foreign countries. Belgium today cannot live without foreign markets. A century ago agriculture still dominated our economic life, and even last year our agricultural products were valued at almost 23 billion francs. But the use of machinery and the wealth of our coal deposits have now given the preponderance to industry.

Belgian industry formerly found inside the country itself the greater part of the raw material which it needed. But that is no longer the case. We now buy from abroad enormous quantities of iron, zinc, copper, wool, flax, cotton, hemp, jute, hides, wood, etc. More and more we have to import to make up the deficiency in our coal production. Furthermore, we have to import a large part

of our food supply. It used also to be the case that Belgian industry found its principal markets within our own national boundaries; a century ago our exports hardly amounted to 100 million francs a year. But in 1929 our exports amounted to 32 billion francs, corresponding to 4½ billion pre-war francs.

The characteristic of Belgium's economic position today, then, is her dependence on foreign countries — dependence with regard to food supply and raw materials, with regard to markets where her surplus production can find an opening, and also with regard to openings for her capital, which seeks a remunerative return abroad.

I have said enough, I hope, to explain the conditions of our prosperity and the direction of our economic policy. Being a small country, tributary to foreign countries for food supplies and raw materials, we should continue to produce cheaply. This implies a liberal customs policy; our products, which surpass our own needs, must be sold in foreign markets; this in turn implies that it is of the utmost importance for us to obtain admittance to foreign markets and to build up a régime of equality.

Unfortunately, at the very moment when Belgian industry and commerce were suffering from the effects of a crisis common to most of the countries of the world, new difficulties appeared, new protectionist measures abroad caused us the deepest anxiety. We cannot but fear, notably, that the new American tariff which went into effect on June 18 will result in great losses to our commerce. The effect of the revision carried through by the American Congress is to raise the average level of the tariff from 38.10 percent to 48.92 percent for agricultural products and from 31.02 percent to 34.31 percent for industrial products. Obviously, such high duties set up barriers that are very difficult to surmount.

In the sphere of world economics the Belgian Government has always been progressive. This was illustrated by the attitude of the Belgian delegations at the international economic conference in Geneva in 1927 and at the conference on concerted economic action in 1930. At the former conference Belgium supported the declaration that a nation's tariff policy is not of interest to that nation only, but that it has a decided interest for the entire world. This first recognition of the interdependent character of the tariff policies of individual states has just been confirmed by the discussions, both at the tenth Assembly of the League of Nations and at the recent conference on economic coöperation,

arising out of the project for a tariff truce and the ensuing Commercial Convention of March 24, 1930. I have just succeeded in securing the Belgian Parliament's approval of this convention; Belgium will be the second Power to ratify it.

I should like also to mention the convention of July 25, 1921, which establishes an economic union between Belgium and the Grand Duchy of Luxembourg; these two neighboring countries now form a single tariff territory. The treaty binds together more tightly than ever two peoples who were already united by a loyal friendship of long standing; it is one of the most happy events of the post-war years.

The account which I have given shows the international position of Belgium today. No nation is more attached to peace. For the past ten years she has taken an important part in every movement aimed at assisting the peoples of different nationalities to know one another better in order to understand one another better, to coöperate in the development of general prosperity, to settle their inevitable difficulties by conciliation and arbitration, and to establish their security on firmer foundations. Nor has she spared herself any effort, within her means, to facilitate the task of institutions destined to maintain peace, especially the League of Nations. Her foreign policy will continue to be inspired completely by the spirit of the Covenant.

As long as her security does not rest on positive and practical guarantees, Belgium owes it to herself, as she owes it to her international engagements, to take the necessary steps for the defense of her territory and of her independence. Her government will omit nothing to assure that security, for without it attempts at collective coöperation are vain. But this anxiety does not in the least weaken her hope of seeing finally set up a régime of brotherhood and justice. She will always coöperate towards the realization of the great ideal of world peace, which must animate every high-minded individual and every civilized people.

NATIVE POLICY IN EAST AFRICA

By Baron Lugard

IT IS the fashion of the day to talk of the bankruptcy of Christendom on the one hand, since it proved itself unable to prevent the suicidal World War, and has become a mosaic of rival sectarian creeds; and on the other hand to dethrone the fetish of democracy from its pedestal as an ideal of secular government — to point to its collapse in Italy and Spain, and to the rivalries of innumerable blocs and parties in the legislatures of Europe, by which the voice of the sovereign people is confused in a babel of tongues in parliament and the press. But though Western civilization has as yet found no clear solution of its own problems in Church and State, it can claim to have made a steady and consistent advance — not limited to any one nation — in its dealings with the colored races and in its appreciation of religions and of forms of government other than those which have been evolved to suit wholly different circumstances.

Since the dark days of the maritime slave trade to America and the West Indies, which cost Africa many million lives, the civilized Powers have by a series of international treaties marked the stages of progress. The Berlin and Brussels Acts of 1885 and 1890 pledged the signatories "in the name of Almighty God" "to protect effectively the aboriginal populations of Africa and to ensure to that vast continent the benefits of peace and civilization." The Treaty of Versailles and the Covenant of the League of Nations, which created an international trusteeship for the territories held under mandate, and finally the last Slavery Convention of 1926, and the Forced Labor Convention of the present year, prove that there has been a steady growth in the recognition of the responsibility of the more advanced nations towards those "not yet able to stand alone in the strenuous conditions of the modern world." Though these last conventions leave much to be desired, they represent, we are told, the maximum common-measure of agreement at present attainable, and mark a distinct advance.

A word of explanation is needed in justification of this somewhat faint praise. The Slavery Convention was the outcome of the Report of a "Slavery Committee" set up by the League of Nations in July 1924. It omits, as the *rapporteur* to the Assembly

said, any allusion to "those conditions mentioned by the Slavery Committee, *i.e.*, debt slavery, the enslaving of persons disguised as the adoption of children, or the purchase of girls disguised as payment of dowry,"[1] in the vague belief that they were covered by the connotation of the term "slavery" as defined in the Convention. Since, however, that definition limits the term to rights of ownership in the person of the slave, it obviously does not include the abuses of "peonage" — perhaps the worst of all — and probably could not be legally held to include the other conditions referred to as analogous to slavery. It makes no reference to the right of search and the right of asylum, claimed under the Brussels Act, which were apparently sacrificed by Article 13 of the Convention of Saint Germain-en-Laye of September 1919.[2]

The Forced Labor Conference, in its turn, was unable to obtain unanimous acceptance of the proposals of the "Committee of Experts" to abolish forced labor for ordinary public works conscripted under the guise of labor battalions, or the substitution of a money tax for the labor *prestation*, or the curtailment of the authority of native chiefs (supported by the suzerain Power) to call out forced labor for personal services. It remains, moreover, to be seen how many of the signatories to the Convention as it stands have any intention of ratifying. There still are therefore some milestones ahead in the path of those who, while recognizing the steady advance in public opinion on such questions, think that the time is now ripe for further progress.

The latest public declaration on the subject of native policy and trusteeship is contained in a White Paper recently issued by the British Government on "Native Policy in East Africa," which was accompanied by a "Statement of Conclusions" regarding closer union between the three northern dependencies.[3] It should be noted that these two documents (on which I have been invited to comment), though dealing with the same territory and largely complementary to each other, are essentially different in character. The first — on native policy — is a final pronouncement by the Imperial Government on the subjects with which it deals, endorsing and amplifying the previous declaration of 1923. The Governors concerned are instructed in a preliminary note "to take immediate steps to insure that the policy

[1] And, I may add, of slaves disguised as pilgrims to Mecca.
[2] See article in *The Nineteenth Century and After*, January, 1926.
[3] Cmd. 3573 and Cmd. 3574 of June 30, 1930.

in regard to native administration in these territories is brought into strict conformity, if in any respect this is not the case, with that laid down in the Memorandum" — to which the widest publicity is to be given. The "Statement of Conclusions," on the other hand, is (in the terms of Lord Passfield's motion in the House of Lords on July 3) to be referred to a joint committee of both Houses, together with the two reports of the Special Commissioners sent to East Africa on which the conclusions are based. The object in view is "to see whether the conclusions of the government could be improved upon," and as far as possible to obtain the united support of all parties and "practically to pronounce judgment upon the matter." Moreover the principal British delegate to the League of Nations had informed the Council that the document would be transmitted to the Council and the Mandates Commission before any action was taken. The importance attached to the question may be gauged by its reference to the most authoritative tribunal for the expression of the national will which exists in Great Britain.

The "Statement of Conclusions" deals therefore with a matter which is in some sense still *sub judice*. The issues it raises, rather by inference than by direct assertion, are of such fundamental importance, and so vitally affect the character and method of the development of control of subject races that, though it may be permissible to set down some thoughts and notes regarding the main principles involved, it would be premature to attempt to express final opinions until the views and arguments which will be laid before the Joint Committee have been heard and considered: for the conclusions are designedly open to amendment. The decisions ultimately taken cannot fail to have considerable influence on the relations between the white and colored races, not only in the British dependencies outside East Africa, but in those of other nationalities also. I propose in this article to limit my comments to those issues which seem to me to be of primary importance and wide application.

The first is the form of government best adapted to these tropical territories, in view of their vast areas and the generally backward condition of their population. The second, arising out of the first, is the relation between the native Africans and the white settlers and others who have taken up permanent residence in the country. The third is the relation of the local administration of such territories to the home government. All three

are closely related, and policy in regard to land tenure and alienation, taxation, native labor, control of immigration and similar matters depends largely on the decisions taken in these major issues.

The British in their colonization and "adventures" overseas in bygone days seem to have been obsessed by the conviction that the institutions which through the centuries they had evolved at home must necessarily be the best for every other race and climate — just as they took out their tall silk hats to wear on the cricket fields of Calcutta or Madras. Of these institutions the supreme court, with its rigid rules of evidence, its strict adherence to legal technicalities and formalities, and the legislative council, with its adaptation of parliamentary procedure, were the most cherished. At that time the British colonies in tropical and subtropical areas consisted chiefly of islands such as the West Indies, or of small enclaves on the mainland coast of India and West Africa. Even where their enterprise led them into the heart of a continent — as in India — the same conservative and unimaginative procedure was observed. In the islands and enclaves, with an area so limited and among a small population, British institutions took root as generations passed; and the constitution of the legislative council has by recognized stages passed from that of nominated to elected membership, thence to an unofficial majority, and finally in some cases to "responsible government" — in which the executive becomes responsible to an elected chamber, though the Imperial Government retains control of certain "reserved subjects" (as in Southern Rhodesia and Malta). In fact the constitutional tendency, even in these tropical and semi-tropical colonies, nearly all of which are unsuited for white settlement on a large scale, has been to follow the path taken by the colonies of white settlement in temperate climates, such as Canada or New Zealand, which have now become wholly autonomous Dominions, linked to the mother country only by allegiance to the same Crown and by ties of sentiment and tradition.

Parliamentary and responsible government may be well suited to large and relatively homogeneous communities whose populations are overwhelmingly European, but the difficulty of applying them to "mixed" communities is apparent in South Africa, which alone of the Dominions has a large African and Asiatic population outnumbering the Europeans by four to one. Even where the problem is not complicated by the presence of consid-

erable numbers of non-African residents, the difficulty is hardly less, owing to the size and population of such dependencies as Nigeria, with an area larger than that of France and Italy combined and a population of 20 million. Though seats on the legislative council may be filled by elected native members, the native franchise must necessarily be limited to a small urban community of Europeanized Africans, who at best can represent only a fraction of the adjacent population, and as a rule are wholly unrepresentative of the masses. In Nigeria, therefore, two-thirds of the country is placed outside the sphere of the council, and for this the Governor-in-Council legislates. In the Gold Coast Colony, where several of the tribal chiefs speak English and six have seats upon the council, the system is probably more successful; but the area of the Colony, to which alone the ordinances passed in council apply, is less than one-third of the whole dependency, and smaller than some of the single provinces of Nigeria. In the larger dependencies distance and absence of means of rapid transport render any real representation impossible even if there were suitable English-speaking representatives who could voice the wishes and opinions of the illiterate proletariat.

But perhaps even more important is the fact that the bases of parliamentary institutions — membership by election in secret ballot for selected political constituencies, and decisions by a majority vote in a debating assembly — are wholly foreign to the tradition and the mentality alike of African and of Eastern races, and can be acquired only by training in a foreign school. That this fact has at last become recognized is shown by its repeated enunciation of late by statesmen of all parties and by administrators of experience. In British tropical Africa those legislatures which include African members are apt to manifest a tendency to imitate the political parties of Europe, but the groups they form are based on no particular political convictions, and the time both of the council and of the departmental officials is wasted by placing innumerable questions on the agenda — often frivolous and sometimes intended merely to embarrass the government.

The difficulty of any really representative government is accentuated when, as in Kenya, Africans are excluded from membership in the legislature, and the unofficial European members, even though in a minority, consist of capable men by whose capital and energy the country has been developed, who regard it as their birthright that they should have a preponderant

voice in the administration, and who look forward one day to attaining "self-government" — a term which is meant to include the government of several millions of Africans.

The problem is not confined to East Africa. It is shared by Rhodesia; and it is at the root of the "native question" which stands to-day in the forefront of the political issues in South Africa and is growing in intensity. In its broadest aspect it contributes to the crisis in Indian affairs. The Latin races have never conceded the right of legislation to their colonies in Africa. Decrees are made in Paris, Lisbon, Brussels or Rome, as the case may be, and sent out for promulgation, supplemented by local *arrêtes* or regulations — though Italy, as Professor Malvezzi tells us, "tends more and more to vest legislative power in the colonial governors." This is not the place to discuss the Latin colonial system in contrast with the British, for in French Africa, at any rate, it differs radically in its aims. A policy of assimilation, which aims at transforming the African into a black Frenchman, and even, as a writer in *The Round Table*[4] informs us, tolerates miscegenation with that object, is so opposed to one based (as the White Papers say) on "the development of native social and political institutions on native lines" that it demands a separate study. We may, however, be sure that the claim of the masses for some voice in the local government will sooner or later have to be faced in French West Africa, as already it has been faced in Indo-China; it cannot be evaded by centralization in Paris.

To return to the problem of "the mixed state," as the Commissioners call it, where a white minority resides among a vastly preponderant native population — a problem which also confronts the Belgians in the Kivu Highlands, where a colony of European settlers, including many with capital and social position is, we are told, rapidly springing up. This indeed is the problem which the Commissioners who present the report on closer union — all exceptionally able men with varied experience — have endeavored to solve, and upon which the Imperial Government has now published its tentative conclusions.

On the one hand, there is a consensus of opinion that the interests of the small minority, whether in questions of land alienation or of expenditure of revenue in roads and branch railways, or in the fixing of railway rates and customs duties, or

[4] *The Round Table*, London, September, 1929.

in the allocation of the work of the technical staff, or in a score of other matters, cannot in the nature of things always coincide with the interests of the African population relegated to its "reserves." It is only natural that schools for European children, and the services of the agricultural or veterinary departments, or facilities for transport of valuable products by road and rail to non-native plantations, should loom large in the view of those who frame or criticize the budget, though the native population may have contributed the greater part of the revenue. Both are to some extent competitors in the same markets. The white men are for the most part employers who depend for their existence on native labor. Though the individual white man may contribute very much more to the revenue than an individual African, the total contribution of the African population must inevitably be much greater than that of the white minority. Where a conflict of racial interests occurs, it is not right, say the Commissioners, that one party should be "judge in its own cause" and exercise a monopoly of political power. This view has been echoed in parliament and the white residents admit its cogency.

The acceptance of this proposition clearly involves a choice between two alternative courses. Either the native majority must be given an adequate voice in the conduct of affairs and the making of the laws which affect their interests — which under representative government means votes and seats in the legislature — or the right of the legislative council to legislate for the whole of the native population must be curtailed. We may dismiss the suggestion that "safeguards" can be provided for native interests by nominating Europeans to represent them on the council, and giving the governor the power of exercising a veto on any legislation which he might consider to be inimical to their interests, and of passing any bill in spite of a hostile majority vote: for such a scheme could be only a temporary expedient, unacceptable to the natives as they grow to be politically minded, and therefore affording no permanent solution. In British dependencies the governor already possesses the power of withholding his assent to any bill, and can introduce and pass any bill, unless and until the unofficial members are granted a majority in the council.

It remains to examine the alternative course. Is it necessary or expedient to extend the franchise to the native population and to admit their representatives as members of the legislative

council? We have seen that even in West Africa, where the situation is not complicated by the presence of white settlers, the African members of the council cannot at present be considered to be true representatives of the majority in a large dependency. With the spread of education throughout the country, this objection will no doubt be modified, as it has been in the Gold Coast; but there still remain the difficulties of distance and transport and the inadvisability of summoning chiefs from their proper duties of guiding and controlling their own communities in order to attend at sessions of which a large part of the proceedings will have little interest for them.

But there is a much more important objection. If the native populations are accorded the vote and representation in any degree proportionate to their numbers, they would — though wholly inexperienced and politically uneducated — swamp the white. For the Africans are intelligent and singularly eager to take advantage of the education freely given by government and the missions. They would be quick to realize that under such a form of government all real political power resides ultimately in the legislative council which makes the laws. Their aspirations therefore would be directed to qualifying by a literary education for a seat on that body rather than in the tribal council, whose voice carries little weight outside the tribal boundaries. That way lies chaos and possibly bloodshed in the mixed state.

But a consideration of even greater weight and cogency, in my view, is that the adoption of such a method of government is opposed to the fundamental principle laid down in the White Papers (and in the closer union report) that the development of the native must be "through native social and political institutions on native lines . . . by methods and forms of organization which have a traditional appeal for him." As I have already remarked, there is a consensus of opinion that parliamentary institutions, elections, government by a majority vote in debate, and so on, are wholly foreign to African mentality and tradition. In the particular case before us the suzerain Power has proclaimed to the world that the principles of the mandate are equally applicable to Kenya and Uganda and to the mandated territory of Tanganyika. The principle of the mandate is explicit. It is to raise the native populations to a plane upon which they can stand alone. Perhaps that objective can never be fully realized, but the principle of continuous evolution remains.

I have suggested that the alternative course is a curtailment of the legislative sphere of the white man's legislative council. This could be effected either by limiting the operation of the laws it enacts to a definitely demarcated white settlement — a course suggested by me in the case of Kenya several years ago, which still finds advocates as being the only permanent solution — or by withdrawing from its operation the bulk of the African population, and placing the several native units directly under the Crown as represented by the Governor-in-Council, subject to a proviso to which I shall presently refer.

Each tribal unit would be organized under its own chief with his council of principal men, who would appoint headmen of districts and villages charged to maintain order and to collect the small tax, a share of which, proportionate to their ability to accept responsibility, would be assigned for the salaries of the chief and his subordinates. In those communities which as yet consist only of an agglomeration of families each under patriarchal rule, and have not yet reached the stage at which the authority of a single chief is recognized, it would be the task of the district officer to encourage the selection of a chief and to instill into him and his council of elders a sense of responsibility and public service. The district officer meanwhile must shoulder the burden, though always acting in the name of the chief and ostensibly by his authority, so as to establish his influence and prestige. The village and provincial schools will lend powerful aid, and in the second generation, if not before, the community may be able to take its place as an organized unit of tribal administration, though as yet exercising a minimum of responsibility and under close tutelage and supervision in the conduct of its tribunals and its "treasury." But probably in most cases the tribal unit will already be sufficiently organized under a recognized chief to be, under supervision, entrusted with the management of its own immediate affairs.

It is important that in all such native units the chief should be selected by the people and not imposed upon them by the government. The courts must be wholly native and administer only native law and custom, and the closest supervision must be maintained by the British staff. On the other hand, even in the case of communities which have reached a high state of organization, the suzerain Power reserves to itself the right of legislation, of raising armed forces, of imposing taxation, and in case of

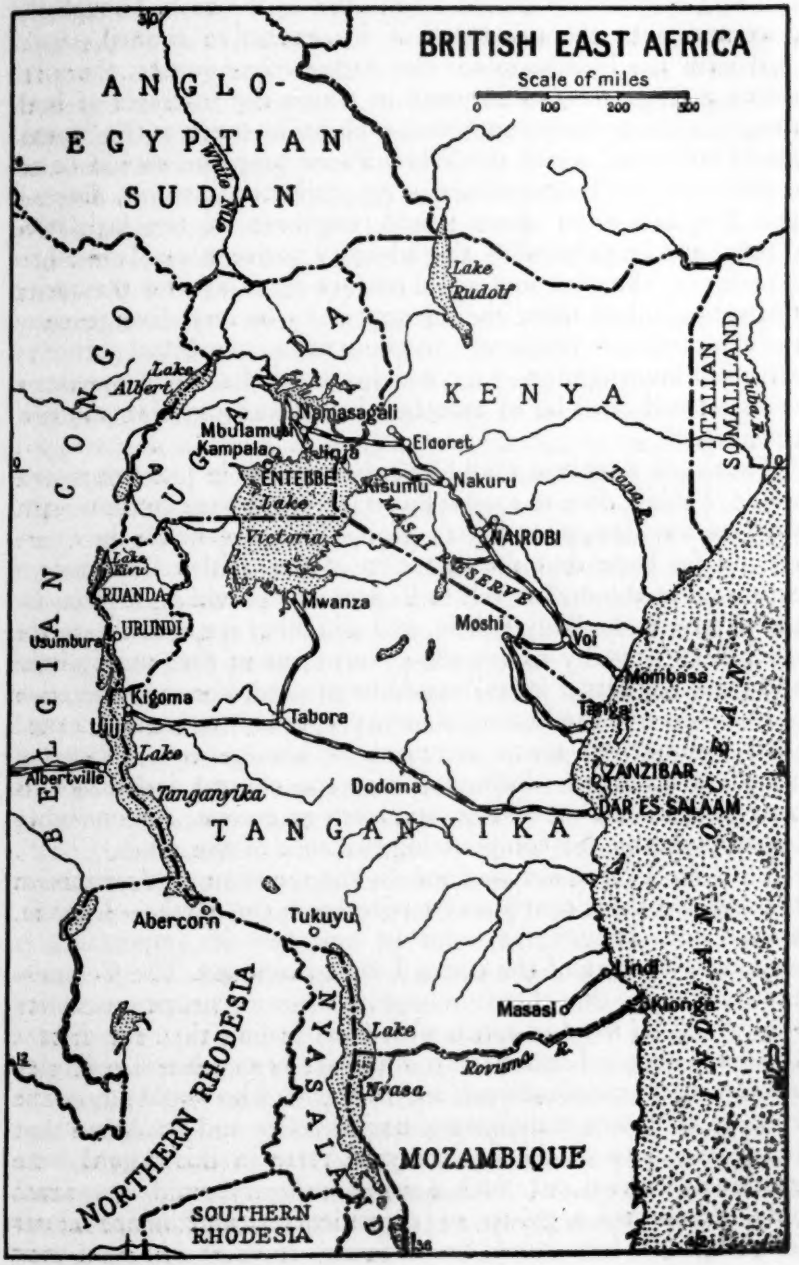
maladministration of deposing a chief. The day is yet far distant when such powers can be entrusted to African communities.

In those parts of British tropical Africa where embryo native states of this type have been set up, no difficulty has been found in associating several units to form advisory councils. The great size of these territories, the diversity of languages, the difference in the stage of development reached, and the large number of units — which would make the council unwieldy — combine to render the formation of a single council difficult, and probably it would be advisable to postpone its creation. These native units should offer such prospects of place and power as would attract the educated native.

But so long as the white man's legislative council continues to legislate for the native population, and so long as responsible government and a common roll are recognized as the ultimate goal of constitutional development, native advisory councils can have little vitality, and it would be futile to expect that service with a native administration would form a sufficient attraction to the educated and ambitious African.

In Africa though the chief is spokesman it is always customary that he should have a council of advisers, whether he be a village headman or the paramount chief of an important tribe. It would be contrary to native conceptions that he should be the sole delegate, and consequently in Nigeria each independent community is represented in the advisory council by a "deliberative unit" consisting of three or four persons, *viz.*, the chief and his principal adviser, the British district officer, and perhaps in an important tribe the principal judge of the native courts. There would seem to be no reason why European traders, missionaries or other residents in a native state should not participate in the council.

We have seen that in such a form of government all legislation which more or less exclusively affects native interests is reserved to the Governor-in-Council, as in the South African protectorates and in various British dependencies. The advisory councils as they grow in efficiency would be encouraged to discuss and comment on such draft laws as are submitted to them, and to frame and enforce by-laws and regulations subject to approval. His Majesty's Government has declared its desire that the white communities should participate in the discharge of the obligations of trusteeship, and it is of paramount importance that their good


BRITISH EAST AFRICA
Scale of miles
0 100 200 300
ANGLO-EGYPTIAN SUDAN
White Nile
Lake Rudolf
BELGIAN CONGO
UGANDA
Lake Albert
KENYA
ITALIAN SOMALILAND
Juba R.
Namasagali
Mbulamuti
Kampala
Jinja
Eldoret
ENTEBBE
Kisumu
Nakuru
Tana R.
Lake Victoria
MASAI RESERVE
NAIROBI
Lake Kivu
RUANDA
URUNDI
Mwanza
Moshi
Voi
Usumbura
Mombasa
Kigoma
Tabora
Tanga
Uju
Lake Tanganyika
ZANZIBAR
Albertville
Dodoma
DAR ES SALAAM
TANGANYIKA
INDIAN OCEAN
Abercorn
Tukuyu
Lindi
Masasi
Kilonga
Lake Nyasa
Rovuma R.
NYASALAND
NORTHERN RHODESIA
MOZAMBIQUE
SOUTHERN RHODESIA

will and coöperation should be enlisted in the task. Though the governor, with the assistance of his executive council, would deal with the legislation for the native communities, there remains a large class of subjects in which the interests of both races are inextricably combined, such for instance as the "transferred subjects" which the White Paper proposed should be reserved to a high commissioner — *e.g.*, railways, customs, defense, etc. Legislation on these would originate in the legislative council and be referred to the advisory native councils for their comments. The governor would reënact these laws for the native territories unless there should appear to be any divergence of racial interests, in which case he would act as an arbitral authority after full investigation — for which purpose he would appoint a committee if need be to ascertain beyond all question the pertinent facts.

That such a scheme would be easy to apply in practice no one would, I think, dare to assert; but if it were applied continuously, without vacillation, and with good will, there would be every ground for hope that the intention of the British Government expressed in the earlier White Papers of "providing a place for the native in the body politic, and of taking steps to create the machinery whereby native self-government at first purely local and later over larger areas" would be effected. For the realization of this objective the Commissioners proposed "native and settled (*i.e.*, non-native) areas arranged in homogeneous blocks of adequate extent in which each race can control and direct its own more immediate affairs, and learn to exercise responsibility unhampered by the complicating presence of the other."

Thus far I have not touched on the question of closer union between the three contiguous territories in the north — Uganda, Kenya and Tanganyika — for in my view its importance is secondary to that of the issues I have discussed. The Commissioners consider that there is a need in Africa for a super-authority who would be more in touch with local feeling than the distant Colonial Office in London; who would act as an arbitral authority in cases where racial interests are divergent; who would advise the home government in matters of native policy and would see that the instructions of the Secretary of State in this regard were effectively carried out. Such a super-authority could be created only to control a group of dependencies, and hence closer union in some form would be necessary. In short, if I read their

intention aright, the main object of the Commissioners in proposing closer union is to restore and maintain effective Imperial control. They consider, also, that a central authority is needed to control certain economic services common to all three, and finally on grounds of the general desirability of forming groups and so relieving the Secretary of State of the task of "dealing in detail with a large number of small units."[5] Sir Samuel Wilson, who submitted the second Report, was instructed to inquire how closer union could be made workable and acceptable, not whether it was necessary. He therefore only records that the appointment of a high commissioner was considered desirable "to control the essential economic services."

On the other hand, doubts have been expressed at Geneva whether closer union in any form was in accord with the spirit of the mandate, since it might be regarded as tending towards annexation — though Article 10 of the mandate expressly authorizes "a customs, fiscal, and administrative union or federation with the adjacent territories . . . provided that the measures adopted to that end do not infringe the provisions of this mandate." My own view as a member of the Mandates Commission was that so long as Tanganyika remained a separate entity, enacting its own laws and with a separate budget, closer union would not be contrary to the mandate. It would be the duty of the Mandates Commission to make sure that the interests of the inhabitants did not suffer by any action consequent on the union.

His Majesty's Government definitely recognizes that "Tanganyika must preserve its individuality as a territorial unit." The maintenance of this integrity is to be further secured by the provision that the High Commissioner may, and shall on the request of any three members of the proposed central council, refer any measure passed by the council to the Secretary of State for the signification of His Majesty's pleasure. He is himself to take part in the preparation of the annual report to the League of Nations, his accounts and activities are to be separated and presented in such a way "as will enable the Mandates Commission to assure itself that the principles of the mandate are being carried out both generally and in detail."

So far as the mandate is concerned, these provisions would seem to fulfil the necessary conditions. It may be hoped, then, that they will remove the objections which Herr Stresemann and

[5] The average size of the three is, however, over 231,000 square miles!

his successor, Herr Curtius, have expressed to closer union. Writers in the German press have frankly explained that their opposition is based on the hope that Great Britain would some day relinquish the mandate in favor of Germany. But the Treaty of Versailles and the mandate do not contemplate any relinquishment of the trust until the inhabitants are able to stand alone, and any transfer would be a deliberate violation of assurances repeatedly made to the people.

Assuming, then, that the mandate does not stand in the way of closer union, it remains for the Joint Committee to decide whether the arguments in its favor are sufficiently cogent to justify the step, and whether the proposed conditions — more particularly the central legislative council — are in the true interests of the bulk of the people and of the declared ideal of the mandate of guiding them towards that distant day when they may be able to stand alone. Always assuming that the governors of each of the three territories will give full effect to every detail of the memorandum on native policy, and that they are empowered to exercise the powers of initiative and of suspension of legislation which it is proposed to confer on the High Commissioner, there does not appear to be any *administrative* urgency for closer union and the appointment of a permanent High Commissioner.

From the standpoint of the coördination of common *economic* interests, experience seems to show that the Conference of Governors provides adequate machinery for adjusting any difficulties which may arise between the three territories in regard to railway rates and customs duties. It would, however, be desirable that an experienced and responsible special commissioner should be deputed as chairman of the Conference of Governors, and he could be empowered to act as an arbitral authority and to direct an investigation into any question referred to him as such, subject to confirmation by the Secretary of State.

Africa is indebted to the United States for the deep interest she has shown in her welfare, and the very generous practical assistance she has given to those engaged in research into the interesting and complex problems of the evolution of her people. The historian of the future will perhaps recognize more clearly than the politicians of today the magnitude of these racial problems and the importance of the opportunity which is given to the present generation to guide their development before they pass beyond control.

RUSSIA'S TWO PARTIES

By Victor Chernov

THE Fifteenth Congress of the Communist Party, held in December, 1927, carried out the sentence of execution against the left opposition, and especially its three leaders — Trotsky, Zinoviev and Kamenev. The chief executioners were Bukharin, Stalin, Tomsky and Rykov. Their resolutions were passed unanimously and all received endless ovations from the Congress. At that time nothing seemed to foretell that at the very next Congress, which has just come to an end, three of the four triumphant victors were to appear as accused, that the condemnation of their views was to be carried out with the same unanimity, and that even more shameful was to be the eclipse of their political star.

Rykov, Tomsky and Bukharin long pretended that in the Politbureau they were in full agreement with Stalin. Like Stalin, they publicly condemned the "right trend" (of which they themselves were the real instigators) and unhesitatingly denounced their too ardent and careless supporters such as the *pro tem* People's Commissar of Finance, Frumkin, the People's Commissar of Agriculture, A. Smirnov, the former head of the State Bank, Sheinman, and the like. In secret, behind the closed doors of the Politbureau, they attempted to fight Stalin, but they were left in the minority and had to beat a retreat. The next stage was when they were forced to renounce their "errors." Then, as the Congress was informed by Kassif, they were put in a "political quarantine." They were told: "Lay down your arms, and put your hands on the table!" Then, after they had showed in all their behavior, to use the expression of Kassif, "the desperate attitude of men who, their backs to the wall, have no choice but to surrender," a new accusation was brought against them: that in the effort to escape the sad fate of Trotsky they were endeavoring to "remain in the party in order to be able to carry on from the inside their work against the party and the Central Committee." To give them a chance to prove the contrary, they were sent to defend Stalin's "general line of the party" at the conferences held in preparation for the Congress: Tomsky to the Caucasus, Rykov to the Urals. There they were submitted, on instigation from Moscow, to cross-examination that almost amounted to the third degree.

Time after time they renounced their errors, but were told over and over again that this was not enough. At the Sixteenth Congress they were again dragged onto the platform, mercilessly criticized, forced to take a second oath of allegiance to Stalin and his clique, were laughed and jeered at. In their penance at Canossa they endured everything, they sacrificed their pride and humbly drank to the last drop the cup of humiliation.

The story goes that an unarmed man who meets an angry bear has no other method of salvation than to pretend that he is dead. It happens sometimes that the bear before he abandons the man who lies there motionless like a corpse, turns him over with his heavy paw as if to make sure there is no fraud. Stalin proved that sort of mountain bear. He had struck off so many heads from the band of Trotsky's followers that nobody in the right wing of the Communist Party now expressed any desire to feel his claws. So he kept on turning the "living corpses" over and over.

But if the leaders of the right displayed such reasonableness and pliability, how shall we explain the long and persistent baiting to which they were subjected at this last Congress? Why were they considered to deserve such revengeful cruelty? The same men who only yesterday drew their ideological wisdom from Bukharin's "A. B. C. of Communism," who were trained in Tomsky's school of trade-union discipline, and who were overwhelmed with enthusiasm while listening to the mysteries of socialist statecraft as disclosed in the reports of Rykov — these same men today are only too eager to drag down from their pedestals the idols of yesterday, in their desire either to gain the good grace of the triumphant new lords or to experience the servile gratification of a valet jeering at his former master in distress.

One thing is clear: even after they forswore themselves and did penance, the leaders of the right for some reason continued to remain a serious danger. Indeed, as Zelensky complained to the Congress, "the country still looks upon Bukharin, Tomsky and Rykov as the leaders of the right opposition" and they are still the "center of attraction" for certain circles (described as "class-alien" in the Soviet parlance). Just as the members of the Orthodox Church forgave the Patriarch Tikhon, and now have forgiven his successor Sergius, for having (in order to save the Church) bowed their heads before the Communist rule ("For there is no power but of God"), so the supporters of the right tendency are willing to forgive the abdication of their

masters, believing that it was not a sincere repentance, but "for the fear of the Jews." Men today are not too particular.

The sincerity of the disavowal put forward by the right leaders, then, is not believed either by the party or by the country; nor does the former conceal its suspicions, or the latter its hopes. This is why the Stalinites thought it necessary to inflict a public humiliation upon them. It was not an emotional outburst but a reasoned measure of intimidation and demoralization. It bears witness that the essence of the "right danger" is not in the leaders, but in the rank and file. In the old left opposition the leaders were actually at the head of the movement. The right opposition is quite different: the leaders drag far behind, they hesitate, they refuse to advance. They are pushed forward by the very course of events.

This is clear from the stories told by the back-benchers of the Sixteenth Congress, especially by the delegates from the provinces.

"We, who have to deal with local conditions," said, for instance, Milkh, a delegate of the Middle Volga region, "are constantly confronted in our work with the activities of those who support the right tendency. They try to squeeze through every hole, they miss no opportunity to attack the general line of the party. In the Ulyanov district, where I am working, we had to disband two district committees of the party and to expel the secretaries of these committees from the party. . . . We have dealt a heavy blow to the right. . . . And despite this the right tendency has again made its appearance in practice. . . ."

"It would be easy to quote an immense number of instances," said Sheboldaev, a delegate from the Lower Volga, seconding Milkh, "of pronouncements made at the district and even at the regional conferences which show that the right is again trying to raise its head. And although the former activities from above of Rykov, Tomsky and Bukharin exist no more, nevertheless the revival of the opposition is an undeniable fact. It is no longer a question of individual outbursts: already we have examples of the revival of whole groups united by an openly right program and taking the shape of openly counter-revolutionary organizations." Quite frequently, Sheboldaev maintained, "the members of the party join hands with the non-party elements" and there is even "no need of drafting a program:" they simply accept the "platform of Bukharin."

The new luminary of Stalinism, Kaganovich, spoke of the manifestations of the right tendency "in Moscow, and in Kharkov, and in Leningrad and elsewhere." In order to get rid of them one must not be afraid of the thought that "democracy within the party may suffer:" for a true follower of Lenin "there is and can be no democracy within the party of a sort which would help sectionalism and the disintegration of the party." No wonder therefore that, in accordance with the report of the same Congress, the last shake-up has removed from responsible party posts about one thousand men and women, and has thrown overboard altogether about 130,000 members!

Pozner, from Leningrad, also had much to say: that the manifestations of the right wing "present a very serious danger to our work;" that "not a single organization, including those of Leningrad, is free from them." Kossarev spoke of the attempts of the right opposition to gain the control over the Komsomol (Organization of Communist Youth) and to play it against the party. Kolotilov, from Ivanov-Voznesensk, that Russian Manchester, described how in the trade unions "the leadership has slipped away from party hands and has fallen into those of openly counter-revolutionary anti-Soviet elements." The right tendency is "the chief danger," exclaimed the hundred percent Stalinite, Ukhanov, summing up the debate.

Note the difference between the former left opposition, that directed by Trotsky, and the right opposition, nameless, deserted by its leaders. The former opposition came from above; its crown was its most powerful part; it was adorned by the brilliant party names of Trotsky, Zinoviev, Kamenev, Rakovsky, Radek, who were followed by a second row of old-guard celebrities such as Preobrazhensky, Smilga, Ioffe, Muralov, Serebryakov, Pyatakov, Safonov, Smirnov, Sapronov, Evdokimov, Bakaev, Loshevich, etc. It proved to be a brilliant headquarters without an army; but this right opposition is an army deserted by its headquarters. The left opposition acted courageously, it built up an "organization within the organization" with its own discipline, pass-words, secret center, traveling agents, secret printing presses; that is, attempts were made from the center to wake up the periphery. And when it imagined that this had been achieved it did not hesitate to pass to the organization of meetings, of demonstrations in the streets and at the railroad termini on the occasion of the deportation of its members. This right opposi-

tion, as far as its leaders were concerned, did not go further than to make half-hearted protests in the seclusion of the Politbureau and the Central Committee, outwardly maintaining an appearance of complete harmony with Stalin and cowardly betraying its individual members who showed too much courage. Born and raised among the rank and file, all by itself, it "got up uncalled, it got out uninvited" (to use the expression of an old Russian ballad), pushing forward its reluctant "leaders" and not too downhearted by their desertion. The new right opposition proved much more organic than the old left one.

Whence came this difference? It must be sought in the difference of the social groups from which the two oppositions emerged.

The left opposition was the living remains of the revolutionary *Sturm-und-Drang* period, the romantic era of civil war and military communism. Among the rank and file it awakened a response to the extent that under the prosaic conditions of the New Economic Policy there still moved the dejected and unadorned shadows of the past, the heroes of "hurrah communism." These were either dreamers ignorant of the actual conditions of this earthly existence, or wild adventurers who had lost the habit of daily work. This opposition could make a lot of noise, it could burst, like dry straw, into a bright, hot, but short-lived flame. It belonged wholly and unreservedly to the irredeemable past of communism, it was the dying-away reflection of the honeymoon of communism — the unforgettable "Red October."

Oh, no doubt, history once again would knock at its door if a war broke out between the Soviet Union and the capitalistic states which "encompass" it. Such a war, a life and death struggle, with everything at stake, would call for heroic measures, for the militarization of all the resources of the country, and military communism would rise from its grave in all its power, even more ruthless and logical than during the civil war. The left opposition itself felt this and, perhaps unconsciously, leaned towards military outbreaks. At the Fifteenth Congress of the Communist Party complaints were heard that the Trotskists were alarming the population with rumors about military dangers. It was not in vain that at the same Congress Rakovsky reiterated his regrets that the indignities suffered in Pekin, London and Paris did not receive "a rejoinder worthy of the revolution." And to the surprised question, "But what, war?" he answered: "Yes, comrades, and war. Because we are the state of the revolutionary

proletariat, and not a sect of the followers of Tolstoy." But the panic-mongers remained panic-mongers, the military menace faded away, and there no longer was any reason to wave the cardboard sword, nor was anyone left for the job: the left opposition was, first, destroyed, and, second — which is far more important — died its natural death.

In complete contrast, the right opposition is a product of modern times. It is the creature of economic difficulties and disorganization. Rykov, Bukharin and Tomsky are merely the spokesmen — and even that on a reduced scale — of the discontent which surrounds the Communist Party.

What social groups does it come from? Stalin has given a simple answer to this question. The right menace is not at the top but at the bottom. Rykov, Bukharin and Tomsky are not outstanding or strong men. But "the strength of the right opportunism is not measured by them. The strength of the right tendency consists in the strength of the petty bourgeois elements, in the pressure brought upon the party by the capitalistic forces in general, and by the kulaks (well-to-do peasants) in particular." The right opposition, Ugarov echoes to Stalin, represents "the interests of the dislodged individualistic sector," that is, they are the "agents of the kulaks." And — this is emphasized by another Stalinite, Zhdanov — their strength is in the environment; for instance, "for each inch of land for the collective farms we must carry a merciless struggle against our class enemies."

In a way, *cum grano salis*, this is true. Rykov, Bukharin and Tomsky are not, of course, the agents of the kulaks and the capitalists, but they are the enemies of Stalin's method of exterminating the kulaks, capitalism, private ownership, economy based on the market, and so on, a method which is not constructive, but is destructive. And it is an imperative method: this is not permitted, that must be. It is easy to give orders from above, lamented the delegates at a coöperative conference organized by the Central Union of Coöperative Societies, nor is it very difficult to pass them along "the party line." But it is an entirely different affair when they have to be put into operation, for instance, by the officers of the coöperative organizations who are responsible to 24,000,000 members and who must persuade them to raise the price of the shares and at the same time to enlist new members. Between the authorities and the army of shareholders they feel as though they were between hammer and anvil.

Here the members of the party and the practical workers are speaking a different language. And here lies the secret of the splitting of the party into the "right" and the "left center."

The left center, the Stalinites, are primarily party men; more, they are party machine men. They know their job. By repeated eliminations on the one hand, and by natural and artificial selection on the other, the party is being transformed into a well-disciplined, absolutely obedient, militarily trained force carrying out the directives of the *pyatiletka*, the Five Year Plan — *vivat pyatiletka, pereat mundus!* — and ready to compress it, if so ordered, into four years or, if so desired, into three, or two, or one. The word "impossible" is struck out from its dictionary and is replaced by "ordered" and "not ordered." The expression "objective impossibility" is also struck out and is replaced by the word "sabotage" which, by association, calls to memory "disposed of." Today even the discussions that take place before the meetings of the party congress are nothing but an additional method of selection. If Rykov, Tomsky and Bukharin keep silent, one must provoke some of their younger and more careless followers, one must force them to open their mouths and discover where their utterances will find a sympathetic echo, and then disband, dismiss, remove, expel and expel and expel.

This is why, in spite of the clamors from all sides about the right danger, not a single voice was raised at the Congress in its defense. It was *unanimously* convicted, sentenced to death, and crucified.

Far less satisfactory is the situation outside the party, even in the organizations which are closely related to it, such as the Soviet administration, the coöperative societies, and the trade unions. This is because party elements are not working alone there, but side by side with non-party elements. And, as we have seen, one of the accusations brought against the right was that of "joining hands with the non-party elements."

I have already written[1] about the fundamental feature of the Soviet Union framework: the peculiar dualism and parallelism existing between the party machine and the government machine. The mutual adaptation among them is so complete that literally almost every cog and link of the Soviet machine has its counterpart in the corresponding cog and link of the party machine. Why is this necessary? Because, although the party

[1] See "The Government and the Communist Party," FOREIGN AFFAIRS, Vol. 7, No. 2.

is the inner government and the Soviet administration is the "external government," although the party may be compared to the clockwork and the Soviet to the dial with its hands, nevertheless the figures on the dial continually display a tendency to make changes, to act independently from the inner mechanism: the hands and figures of the dial, after all, are not dead, but living figures and hands. Therefore, in addition to the general supervision by the party as a whole over the Soviet administration as a whole, it was deemed necessary to introduce the strict parallelism of the two systems and to establish direct connections in the peculiar form of party "cells" attached to each Soviet institution and controlled by the appropriate body within the party.

This fundamental dualism of the régime has an important part in the relations between the right wing and the Stalinites. The members of the former are much more popular with the Soviet administration than with the party. This popularity is particularly great among the commissariats dealing with economic problems. The Commissariat of Finance has always been a breeder of the ideas belonging to the right and succeeded in converting to them even the specially appointed men of the left. For many years the Commissariat of Agriculture has been a nursery of the most suspicious (from the Marx-Lenin point of view) pro-peasant attitude. The Commissariat for Foreign Affairs shuddered at the extravaganza of the Comintern. Rykov was considered the leader of Soviet business men and, with certain reservations, this was true; especially among the non-party specialists he was at home, "our Aleksei Nikolaevich," very different, indeed, from that unmanageable, ruthless, exacting outsider, Stalin, weaving his web behind closed doors.

The same attitude was felt even more strongly in the remote regions of Soviet public opinion, including the following three principal elements: Soviet *savants* and institutions of learning (Red professors and the student body), Soviet coöperative institutions and Soviet trade unions. It is not a mere accident that the former leaders of the right tendency were also the guiding spirit of these circles, and their spokesmen.

Bukharin was the spiritual father of the Red professors, of all the Stetskys, Maretskys, Eikhenvalds and other theorists of the newest brand who succeeded in gaining the confidence of their young audiences. When the thunders were directed against the

left, against the supporters of Trotsky, Zinoviev and Sapronov, they were given a place of honor. Bukharin was "the pillar and ground of the truth;" all the newcomers to the party were trained on his "A. B. C. of Communism;" the followers of Bukharin among the academic profession increased in number like mushrooms, and multiplied among their pupils the number of neo-populists with a communist flavor. And when Bukharin was unfrocked from priest to deacon, and then again reduced to the position of a mere chanter, it became necessary to break down the Red professors and to pass them through the mill. This was no easy job.

It is still remembered what was the reaction among the Soviet coöperative organizations when in 1928 Rykov signalled for the first time the danger of the estrangement from the rural community. A congress of the representatives of the Central Union of Coöperative Societies was then being held at Moscow. The congress gave Rykov an unexampled ovation and displayed the utmost hostility towards the Stalinite, Mikoyan. One after another the Communist coöperators, who felt more daring under the protection of their party ticket than the non-party coöperators hiding behind their backs, demanded the autonomy of coöperative institutions, denounced the absurdity of administrative orders, described the spontaneous nature of the economic developments in defiance of bureaucratic control. After being turned into instruments for the state purchase of grain, they cried, they have obtained grain from the peasants by the promise of cheap manufactured goods; and now, having none of the articles most needed in the villages, they spend their time trembling for the window glass in the village coöperative stores and for the safety of their own skins. They clearly implied, almost threatened, that after them was to come the turn of those higher up.

As to Tomsky, he was an old favorite with the Soviet trade unions. It was his job to give the central party and Soviet institutions warning of any discontent among the rank and file of labor in order to prevent conflicts at the factories and works. Under him the trade union press became a kind of safety valve which was used to let out the steam of labor grievances. He was indefatigable in his struggle against those business men and Red directors who too obviously made the men employed by the factories and trusts pay for the inadequacy of "socialist accumulation." When the forcible industrialization, on the one hand, put an extra pressure upon labor and, on the other, resulted in the

interruption of the smooth supply of the cities with the produce of the villages which had grown tired of giving it away for nothing, Tomsky became the spokesman of proletarian discontent with the "general line" of Stalin, just as Rykov was the spokesmen of the protest of business and coöperative circles, and Bukharin of the ideological protest, the protest of the theorists of communism and of the intellectual communist youth.

The first thunders fell upon Bukharin, who was thrown out from his chief positions, including the Politbureau and the editorial board of *Pravda*. He, the unusually prolific speaker, was turned into "the great silent recluse," according to a cruel jest made at the Congress. Tomsky and a whole crowd of his supporters were first forced to quit the central organization of the trade unions. His former comrades in arms who have since betrayed him, Dogadov and Melnichansky, had to suffer a similar fate because their allegiance to Stalin was not yet sufficiently proved. Tomsky was still left in the Central Committee, but he was not reëlected to the Politbureau. And Rykov alone, as pliable as wax, has still been allowed to retain his membership in both these central institutions, where he will play the part of a hostage for the whole triumvirate.

Could they have avoided this fate? Perhaps, but only by the use of one method. Instead of arguing with Stalin behind the closed doors of the higher party bodies, where Stalin was in any case sure of a majority, they should have understood at once that the weak spot of Stalin is the Soviet machine and Soviet public opinion; they might have attempted to defend — on the basis of the Soviet constitution — the powers of the Soviets against the tutelage of the party men from the Central Committee and the Politbureau, calling to their assistance the Soviet coöperative organizations and the Soviet trade unions whose autonomy within the Soviet system they sponsored. That is, they should have made an appeal to the forces outside the party, but closely connected with it. This is the only use they could have made of their program. The idea of having it accepted in the secluded atmosphere of purely party conferences was utterly nonsensical. But what was this program?

Only now, from a speech delivered before the Sixteenth Congress by Rudzutak, have we learned the exact contents of the collective declarations made to the Politbureau and the Presidium of the Central Control Committee by the leaders of the opposition.

The agricultural policy of the Central Committee has led to the degradation of farming and will result in the impoverishment and ruin of the whole country . . .

In the years just ahead the Soviet farms and the collective farms cannot be the source of the chief supply of grain. Individual peasant farming will continue to remain the chief source of such supply for a long time . . .

The tempo of industrialization which we have adopted is beyond our force. . . . It will lead to the destitution of the country . . .

Industrialization must not be based on the squandering of our funds to the last penny; it must be based on the improvement in the economic standards of the poor and "middle" peasants and on the increase in the productivity of labor . . .

Departing from these premises, Bukharin, as early as April of last year, spoke of the vicious circle in which Soviet economics were moving and expressed the apprehension that "the engine may stop." He found the courage to formulate the rather cynical and uncomplimentary remark (and so provoked a storm in the party circles) that the existing system is a régime of "military and feudal exploitation of the peasants." In his answer to enthusiastic dreamers of the type of Krizhanovsky, the spiritual father of the Five Year Plan, who find in the promises of future happiness a consolation for present privations, Bukharin pointedly remarked that "unfortunately, the socialist factories of today cannot be built from bricks which will be made in the future." Bukharin argued that the present economic policy "leads to a constant revival of the menace to the coöperation" — coöperation between towns and villages, industry and agriculture, industrial labor and peasants. And therefore, he remarked, "our economics are unruly;" and "economics which are unruly may lead to a situation when the classes will be unruly too."

The declarations of the three leaders of the opposition did not spare even the sacred person of Stalin: "We are against the decision of problems of party leadership by an individual. We are against the substitution for collective control of control by an individual, however authoritative."

The divergency of view is thus clearly outlined. On the side of the Stalinites, the scope of the right tendency has been concisely and succinctly described by Mikoyan:

Instead of the socialist industrialization — the slowing down of its tempo.

Instead of the *pyatiletka* (the Five Year Plan) — the *dvukhletka* (the two year plan).

Instead of the building up of Soviet and collective farms — trusting in individual peasant farming.

Instead of the struggle against the kulaks and their liquidation — the demand for the removal of the "tax on individuals"[2] and of restrictions on village capitalism, the "doctrine of concessions," and the demand for the increase in grain prices.

Instead of the offensive against the capitalistic elements — the demand for a new NEP, in other words, for a retreat under the cover of the theory of "a peaceful absorption of the kulaks by the socialist state."

Instead of the new methods of coöperation with the peasants and peasant contracts with the state[3] — freedom of commercial exchange and the normalization of the market.

Instead of counting on the training of our own specialists among the young men — the declaration that without the help of the old specialists communism cannot be built.

Instead of an energetic rejoinder to the class enemies — the abandonment of the margin theory of class struggle.

All this deals with economic and political problems. The scope of the right in the field of ideology, according to Mikoyan, is as follows:

Instead of the struggle against the social-democratic elements in the Comintern — the accusation that the party brought about the decay of the Comintern (as Bukharin put it, "the Comintern has now reduced its winter crops").

Instead of the recognition of the decline of capitalism — Bukharin's thesis of the reconstruction of capitalism and the preaching of the social-democratic theory of "organized capitalism."

The acceptance by Bukharin of Trotsky's doctrine that socialism cannot be built in only one country.

Mikoyan, of course, has overemphasized some of the divergencies of views and his exposition is not free from exaggeration. But on the whole it is confirmed by the documents of the right opposition.

Yes, the right opposition seeks "peace with the peasants." Yes, the right opposition, following the old trail of the Social Revolutionary Party, wants to rely upon the small peasant farm and its free coöperative institutions instead of the forcible "complete collectivization" of the rural community; it would work from below instead of above. Yes, like the "Populists," it counts partly on the participation of the wealthier peasants in this

[2] Persons recognized as "bourgeois elements of the village," in addition to the loss of a number of civil rights, are subject, together with the general land and agricultural taxes, to a special "tax on individuals" which has for its purpose to reduce their economic standards to the general level.

[3] Contracts between the state and the peasants in accordance with which the latter undertake to deliver to the state, irrespective of the future harvest, a specified quantity of agricultural produce at fixed prices in exchange for the promise of the state to make provision for them in the plan for the distribution of manufactured goods.

process, and partly on the disarming of the kulaks (village usury and other methods of exploiting the poorer peasants) by improving the economic position of the poorer peasants through coöperative societies. Yes, the right opposition inclines to share in the heresy which sees in the coöperative movement an independent method for the promotion of socialism among the peasants. Yes, the right opposition is willing to meet to some extent the fundamental demand of the farmers: a more equitable adjustment of industrial and agricultural prices, a more equitable exchange between the products of labor in farming and manufactures. Yes, following the Social Revolutionary Party (although, perhaps, unconscious of this highly compromising similarity of two programs), the right opposition sees in the economic development and in the increase in the wealth of the rural community the establishment of a firm foundation under the forced bureaucratic industrialization of today which hangs in the air; it would provide the latter, first, with the necessary basis of foodstuffs and raw materials, and, second, with a large home market for the sale of its products. Yes, the right opposition sometimes dreams to discover in this policy the opportunity for the democratization of the government and the loosening of the régime of terror and dictatorship. Would not a lasting peace with the peasants make unnecessary the artificial measures for safeguarding the power of the minority by making possible for the first time a government by the consent of the majority?

All this will be found in the program of the right opposition. But, deprived of leadership, the right opposition seeks a way out in the dark, it discovers the various parts of its program by chance, it does not know how to arrange them into a comprehensive harmonious system. However, if its course were different, how could it remain inside the framework of the party when even now the Congress has declared its views "incompatible" with membership in the Russian Communist Party of the Bolsheviks?

Nevertheless, taken as a whole, the right tendency is an unconscious attempt on the part of urban communism to find a method of political coöperation with the small peasant farmers defending their interests. But by joining hands with the peasants it unavoidably becomes estranged from the party. Coöperation with the forces seeking the democratization of the régime means the parting of ways with the dictatorship.

And this parting of the ways is getting more and more pronounced, as is illustrated by a paragraph in the speech of so important a person as Petrovsky, President of the Executive Committee of Ukraine. It reads as follows: "The declarations of the members of the right opposition are extremely characteristic. A member of the party criticizes the general line of the party, urges the farmers to refrain from parting with their grain. This is no longer the right tendency, but a flagrant case of counter-revolution. . . . At Lugansk a member of the party asked the peasants not to give up their grain because the party had accepted a wrong policy. This oversteps all the limits. . . . Such a situation and such men in the party cannot be tolerated."

Eikh, a delegate from Siberia, depicted the next stage in the development of anti-party feeling, the more characteristic because it included the remains of the "labor opposition" of Omsk. There was a time when this opposition was wholly committed to a "purely proletarian" point of view, when no tempos of industrialization appeared to it to be sufficient, and when no sacrifices for this purpose — especially sacrifices on the part of the peasants — could frighten it in the least. Today it "pins all its hopes on the peasants" and even nurses the hopes of an armed uprising under purely peasant banners.

The third and last stage of the same process, a stage which openly belongs to the jurisdiction of the G.P.U. (the secret police), was disclosed by Kaganovich, a prominent supporter of Stalin. Two illegal revolutionary organizations have recently been disposed of in the Ukraine. One of them, it appears, had for its purpose "the bringing about of changes in the policy of the party and of the Soviets, so that through the method of an armed uprising a new Soviet government would be established, but with the program suggested by the right opposition." The second, the so-called People's Revolutionary Soviet Party, had a similar program. One of its members gave the following evidence:

"The policy of Stalin leads to ruin and destitution; the policy of the right and the measures suggested by Bukharin, Rykov and Uglanov are the only sound measures, conceived in the spirit of Lenin, and they alone — that is, Bukharin, Rykov and Uglanov — are capable of leading the country out of the impasse where Stalin has landed it. . . . The victory of the right wing would *de facto* mean the victory of People's Revolutionary Soviet Party

because the program of the latter, as I have stated at the beginning of my evidence, was identical with the program of the right opposition in the Russian Communist Party."

Thus, by scarcely perceptible stages, as the right tendency within the Communist Party is weeded out it merges into organizations hostile to the party. It is not so much the difference in program as the difference in temperament that separates the loyal members of the opposition, who cling at any cost to membership in the party and save themselves through political mimicry, from the champions of "the new Soviet revolution" ready to accept prison or exile rather than renounce their credo.

The question now is: what will happen to the right opposition? Today it obviously is at the crossroads.

One road is the road of Rykov, Tomsky and Uglanov. To keep quiet, to avoid anything that may suggest an independent organization, and if action is to be taken at all against the "general line," to carry it on by less authoritative men and in disguise; if one is caught *flagrante delicto*, to deny everything, to produce attenuating circumstances, to beg forgiveness, to repent, and to promise never to do it again. The important thing is to keep alive: "a living dog is better than a dead lion." One must wait for better times. One must hope. Sooner or later the "general line" will bring such deadly results that, perhaps, even Stalin's closely drawn phalanx will give away and all eyes will turn to the former leaders of the right opposition who gave the party such well-justified warnings. And the stone which the builders rejected — by a general tacit agreement, without a struggle — the same is become the head of the corner.

The other road is the road followed by the members of the People's Revolutionary Soviet Party. This is perfectly natural because even the New Economic Policy was not granted to the country as a result of the diplomacy of the "reasonable elements" of the party, but to the accompaniment of the Kronstadt guns and the menacing murmur of the peasant rebellion in Tambov and almost the whole of Siberia. In the cities they catch the first breaths of the "pre-Kronstadt" feeling, and in the country that of Tambov. They are trying to get ready for the organization of "the third revolution." In their opinion it is not anti-Soviet and, perhaps, not even anti-communist: it is merely directed against Stalin. But the Germans rightly say: "*Wer sagt A, muss auch B*

sagen" ("Who said A must also say B"). The revolutionary development has its iron logic.

The leaders of the right tendency have thus far been following the first road. But the rank and file is already entering on the second. Which of them has succeeded better in discovering the real trend of coming events? What has the future in store for the Soviet Union?

Will the future break the blind obstinacy of the party leaders and loosen the "dead grip" of Stalin? Will it send him for a month, or for two or three, or perhaps for a couple of years, to rest in the Caucasus or even in Turkestan — the place in Alma-Alta, after the transfer of Trotsky to Prinkipo, is vacant? Or will this Soviet Pleve remain in power until his death? Will Rykov succeed him and play the part of a Soviet Svyatopolk-Mirsky? Will the system of freezing up all manifestations of public initiative continue, or will a new "spring" be graciously granted from the Kremlin before it is too late? Will the further development of the Soviet régime follow the road of communist Stolypins or of communist Wittes? In other words: revolution or evolution? Catastrophe or a peaceful transformation?[4]

This is the chief problem of the day, and the question as to the future of the right opposition is merely one of its aspects.

Only quite recently it seemed that under the pressure of Rykov and his friends the Stalin line had begun to bend. This impression was belied by the facts. The right Bolshevik opposition appears to remain outside the general trend of historical development. And, therefore, the rank and file of this opposition are already abandoning their leaders and are no longer seeking reforms but revolutionary positions — outside the party. History, indeed, has not yet said its last word. But the scale of the balance has decidedly turned in favor not of the smooth, evolutionary course, but of a course rich in cataclysms and perturbations.

[4] Allusion is made here to the events of 1904–1905. V. K. von Pleve was a reactionary statesman of the reigns of Alexander III and Nicholas II. In 1902 he was appointed Minister of the Interior and his rule was notorious for its severity. He was murdered in 1904 by a member of the Social Revolutionary Party. He was succeeded by the much more liberal Prince Svyatopolk-Mirsky whose policy, after the chilly régime of Pleve, was often referred to as "the spring." He remained in office for less than five months. Count Witte, it will be remembered, was one of the framers of the reforms of 1905 which introduced in Russia a kind of quasi-constitutional régime and was for his time a man of liberal views. P. A. Stolypin, Prime Minister in 1906–1911, was a man of conservative views who reëstablished order in the country after the revolutionary outbursts of 1905–1906; his forcible methods were much criticized. (*Translator's Note*)

THE SOVIETS AND FOREIGN CONCESSIONS

By N. Liubimov

ANY discussion of concessions in the Union of Soviet Socialist Republics must emphasize their relative unimportance in Soviet activity, a fact which is often obscured in foreign journals. As of October 1, 1928 (the latest date for which figures are available) the value of the output of foreign concessions was 85.6 million rubles (about $44.1 million),[1] on a capital investment (as of the beginning of 1929) of only 50.095 million rubles (about $25.765 million). This was only a fraction of 1 percent of the total production of the state industries. Foreign concessions are equally unimportant in their contribution to Soviet finances. Only 5 million rubles is credited to concessions in the 1929–30 budget, an insignificant sum in the total of 11.39 billion rubles.

Not only is the activity of the foreign concessions small, but it is not keeping step with Soviet Russia's own activities. Figures for the year 1928–29 are not yet available, but it can safely be prognosticated that they will reveal lower results. At the end of 1929 there were 59 foreign concessions in operation — 13 German, 11 Japanese, 6 American, 5 British, 4 Polish, 3 Swedish, 3 French, and 14 others distributed among 9 nations. It is known that some of these have since been liquidated and that others have been redeemed by the state by agreement with the concessionaires. That the remainder are not growing apace is also indicated by a comparison of budget receipts. In 1928–29 concessions paid into the state treasury about twice the amount of the estimates for 1929–30.

The success of the first year (1928–29) of the Five Year Plan of Industrial Development, the meager investment of foreign capital in concessions proper, and the conclusion of a number of contracts for technical collaboration — these factors have led to a certain modification of our general attitude toward concessions. In order to carry out our plan of industrial development we cannot, and will not, wait for the influx of foreign capital. Already, a little more than a year after the preparation of the Plan, several of the enterprises proposed are on the way to realization.

[1] Of which 65 million rubles was in manufacturing and 20.6 million rubles in mining.

We are creating them with our own resources and, in a number of cases, the work is so far advanced that the question of leasing them to concessionaires cannot even be entertained. The concessions of the future will be almost entirely limited to the important industries: mining, electric power plants and metallurgy; and the limitation is shown in the list of concessions offered in the program adopted in 1928, which would require an investment of but half a billion dollars, or only 2 or 3 percent of the expenditure foreseen by the Five Year Plan.

The policy of the Soviet Government has not varied in its encouragement of applications for concessions, but since 1928 standards have become more rigid and offers are entertained only from foreign undertakings which enjoy the highest reputation. The Soviet Government has accepted less than 8 percent of the applications received since the policy was instituted, but the number of applications is increasing, having risen last year to over 200, over a quarter of them from the United States.

On November 30, 1929, Mr. Rykov, President of the Council of People's Commissars, outlined the three principles which govern foreign concessions. First, concessionaires must operate their concessions with their own capital and not with capital drawn from Soviet economy. Secondly, concessions have nothing in common with colonial enterprises. Foreign capitalists who invest in the U. S. S. R., however, have a right to profits greater than those which they would consider sufficient in their own country, though these profits must be kept within a reasonable limit. Thirdly, concessionaires should abandon all illusions as to the possibility of any reëstablishment of a private property régime in the U. S. S. R.

It is the first point that is of major practical importance. Mr. Rykov stated the desideratum that operating capital should be obtained from abroad and not derived from sources within the U. S. S. R. The corollary of this is that concessions already in operation must improve their financial position by drawing on foreign capital and not on the resources of the country itself. This principle should be borne in mind in regard to applications, and financial calculations should be based on it. The records show a state of things which falls short of this condition. Our experience has been succinctly stated by Mr. Brockschmidt in an article in the German review *Wirtschaftsdienst* for June 28, 1929. He says: "The operation of concessions has not justified the hopes for a

greater influx of foreign capital. It appears that in the course of the past three years the total of profits exported amounted to 130 percent of the capital imported." Though of course these new enterprises are now part of our industry, and for this reason represent no mean advantage to Soviet Russia, we have gained nothing from them in the last few years from the point of view of our balance of foreign payments.

This fact may be observed from a consideration in detail of the capital situation in the concessions. Let us take, for example, the manufacturing concessions, which are the largest single group. Figures for 1928–29 are not yet published, but from what is known of them it is not likely that they will materially alter the situation as given in 1927–28. According to these figures, 19 manufacturing concerns have a capital investment of 37 million rubles (exclusive of real property, principally buildings, valued at 4 million rubles, which has been chiefly contributed by the Government), or almost three-quarters of the total capitalization of all groups. The 1927–28 production of these firms was valued at 31.8 million rubles, or more than a third of the total production of concessions and about a half of the total production of manufacturing concessions.

It appears that 18.6 million rubles, or almost exactly half of the amount invested in these 19 concerns, represents in the main unpaid taxes due to the state as well as the share of the state in the output of these undertakings, or loans raised within the U. S. S. R. Nor is this the extent of the quota of national capital in these concessions. Of the 18.4 million rubles representing the capital contributed by the concessionaires, only a part has been imported from abroad, the balance being supplied out of profits. The fact emerges that the amount of foreign money is only about a quarter of the total investment.

Concessions which use raw materials of foreign origin may also be a debit item in our balance of foreign payments. They are a charge on our national economy in another sense — they do not help us to develop our own resources as do those concessions which use domestic materials. Concessionaires are authorized by their contracts to import from abroad raw materials and even semi-manufactured goods if they are unable to obtain them in the home market. But in order to simplify the balance of payments these imports must be reduced to a minimum. The 1927–28 production of the 19 firms already mentioned was valued at 31.8

million rubles. The value of raw materials used was 14.2 million rubles, of which 7.8 million rubles, or over half, came from abroad.

Mr. Brockschmidt has proposed the following remedy: to establish a committee composed of representatives of the concessionaires and of the state industries to examine disputes, and to allow importation only when raw materials cannot be obtained "on the home market in sufficient quantities, of the desired quality, and at prices which may be considered as normal on comparing them with those paid abroad." This suggestion cannot be accepted. It is logical that the concessionaire should use the same raw materials as are employed by the state trusts which are sometimes his competitors on the home market. When the demands for the importation of raw materials are well founded, however, they will be given careful consideration until such time as the materials in question can be produced within our country.

The provisions in the agreements covering taxation are not uniform. The payment of a specified sum in lieu of taxes is sometimes conceded to the concessionaire as a special privilege. In such cases the agreement fixes the amount to be paid every year to cover all the fiscal obligations of the concessionaire. In regard to profits, a special proportion, from 15 to 25 percent, depending upon the amount of capital imported, is left entirely at the disposal of the concessionaire. For the purpose of this calculation the amount of exportable profits which the concessionaire cares to invest in the enterprise instead of transferring abroad is added to the capital actually imported. The share of the state in the output of the concessionaire is payable either in cash or in kind and is determined in the agreement. It represents the consideration for which the state confers upon a foreign company the right of exploitation. In order to build up their cash resources certain concessionaires have postponed meeting their obligations to the state treasury in spite of the penalty for non-payment. Delays of from five to nine months have occurred. The Lena Goldfields, the British mining concession in Siberia and the Urals, is particularly conspicuous for its lack of punctuality.

Excess profits are those which exceed the rates established by the concession agreement. They are divided between the concessionaire and the Government in accordance with a schedule fixed in that agreement. The Government's share increases with the growth of excess profits; it may be 65 percent and even more. A certain uniformity is thus introduced in the profits of the con-

cessionaire and by this system he is also encouraged to lower his selling prices, because the higher the profit the more he will have to pay to the Government.

The question which is perhaps uppermost in the minds of foreign observers is whether, in view of these conditions, the concessions are profitable. The figures show that they are. A study of the balance sheets of the manufacturing concessions showed that on October 1, 1928, the gross profits realized on an investment of 15.2 million rubles was 16.8 million rubles. The state treasury received 2.3 million rubles as income tax and excess profits tax. After the payment of taxes, therefore, the concessionaires made a profit of nearly 14.5 million rubles. The share of the state was 4.9 million rubles, or 34 percent, and the net profit of the concessionaires amounted to 9.6 million rubles, or 66 percent; and the sums which they could transfer abroad under the terms of their agreements were 96 percent of the net profit.

Obviously the return was very handsome. But it would be a mistake to consider such profits as normal. The average return on concessions in the Soviet Union will continue to be above the return which foreign capitalists consider attractive when investing in their own country, but the necessity of limiting profits is obvious.

It is sometimes stated that the taxation of profits is a serious handicap to development. A study of 31 balance sheets for 1926–27 gives us an answer to this objection. During this period the firms in question manufactured and sold articles worth 26.8 million rubles. Their profits from the sale of these goods amounted to 13.6 million rubles, while the share of the state treasury in the profits was 1.4 million rubles. Taxes and other charges amounted to 426,000 rubles. If one takes into consideration the very favorable conditions of marketing manufactured goods which prevailed at that time in Soviet Russia and the comfortable margin of profits, one can hardly maintain that the burden of taxes was unduly high. The Government is inviting foreign capitalists to take part in the development of the economic resources of the country and therefore has no reason to obstruct its own purpose by imposing upon them an unreasonable fiscal burden. In this respect foreign concessions in the U. S. S. R. are placed on the same footing as state enterprises.

The regrettable failures of some of the concessionaires (such as the German forest concession Mologoles and the Harriman

manganese concession in Georgia) do not damage our thesis as to the profitability of the concessions. The causes of the liquidation of the Harriman concession have been dealt with in both Russian and foreign newspapers.[2] Mr. Harriman not only did not carry out the program of important improvements provided for in his agreement, but also proved incapable of fighting successfully against the growing competition of other manganese producers outside of Russia. And as an emergency measure we were ourselves forced to undertake the exploitation of the manganese mines in Nikopol-Mariupol in order to safeguard our place in the international market which, after the abandonment of the Harriman works at Tchiaturi, was endangered by important producers of other countries, such as British India, Brazil and South Africa.

The troubles of Mologoles were more complex, but they illustrate our principle that if we invite foreign capital to Soviet Russia it is on the understanding that it will depend on its own resources, not on ours. The State Bank was interested in the fate of this concession and twice went to its rescue, but this assistance could not be indefinitely prolonged.

Much has been written about the problem of the Lena Goldfields but little has been heard about the Soviet point of view. It should be realized that mining concessions require important works in connection with prospecting and exploration. If one limits oneself to the exploitation of those mines which have the richest deposits of ore, and if sufficient funds are not allowed for exploration of new deposits, the financial results are bound to remain precarious. In December 1929 the president of the Lena Goldfields declared that the Soviet Government had opposed the transfer of funds to Great Britain so long as certain payments due the Treasury were not made, with the result that the company owed £270,000 in Great Britain and £646,000 in other foreign countries. He added that at the present time revenue is derived almost exclusively from the iron mines of the Urals, which show an average monthly profit of some £30,000.[3]

The facts are as follows. The Soviet authorities, being interested in the development of the Lena Goldfields concession, granted it financial assistance. For example, in 1926 it received a

[2] See the explanation of the causes of the Harriman failure given in an article in *L'Information*, December 19, 1928, with which we fully agree, although we are unable to accept the general conclusions of the article.

[3] *L'Information*, December 18, 1929.

loan of 3.5 million rubles, at 4 percent, and in 1928 the authorities extended this loan to 1931; the repayment of a second loan of 2 million rubles granted in 1927 at 2 percent has also been postponed, in view of the weak financial position of the company; a third loan of 2 million rubles was granted at the beginning of 1929, and has not yet been repaid. The copper smelting plant in Degtiarka, with an annual output of 1,638 tons, should have been put in operation in 1929, but the company did not live up to this obligation. A second plant, with an output of 11,810 tons, which according to the agreement should be put into operation in 1931, almost certainly will never be constructed by the company. Furthermore, it has not even started construction of the zinc plant in Altai, which it should have built in the course of the present year. As to the production of gold in Siberia, it has not accomplished even one-half of its program for 1929 in the Lena-Witim district. The state's share in the output of the concession has not been paid since 1928. The salaries of the workmen and employees have not been paid in the Urals and Altai since the autumn of 1929; the company's debts for salaries amounted in June 1930 to over one million rubles. Finally, according to Section 86 of the agreement, the Lena Goldfields "concessions can be terminated before the expiration of the date of the agreement only in consequence of the decision of a court of arbitration." As a matter of fact the company did not wish to await the appointment of the court of arbitration and contrary to the express terms of the contract suddenly abandoned the exploitation of its mines and workshops. Thus the concession's financial demise has taken place before its juridical one. The Lena Goldfields Company received the richest and most promising regions of the country for exploitation and exploration, and enjoyed a large measure of financial assistance from the authorities, but it could not raise any foreign loans. Knowing that it would be unable to meet its obligations in 1931 (as it has been unable to meet them in the course of this and previous years), the Company has taken a "preventive measure" in order to place the Soviet authorities before a *fait accompli.*

A very different impression is given by an examination of the affairs of the Japanese petroleum concession in north Sakhalin. A report on the activities of this company was presented to the general meeting of shareholders in May 1929. Gross profits for the financial year amounted to 3.5 million yen; the cost of exploita-

tion was 2.2 million yen, and the expenses of management 300,000 yen, leaving a net profit of 1 million yen. After payments for sinking fund and taxes, a dividend of 8 percent was distributed to the shareholders. Gross profits for the financial year 1929 amounted to 5 million yen; the expenses were 3.5 million yen, leaving a net profit of about 1.5 million yen. The coal mining concession of the same company paid no dividends, the small profit for the financial year being used to meet the losses of the preceding year.

As for the concessions engaged in manufacturing industries, the information of Mr. Skobelev indicates that the profits averaged 53 percent of the capital owned by the concessionaires in 1926–27, and 64 percent in 1927–28. According to the preliminary computations of Mr. Knopinsky, the profits of concessionaires in the textile industry in 1927–28 were 64.3 percent; in the paper industry, 58.0 percent; in the chemical industry, 31.7 percent; and in the metallurgical industry, 40.4 percent.

Capital is imported by the concessionaire with the understanding that it will be fully amortized by the time his contract has expired. As a general rule, provisions are made for the amortization of capital invested in all machinery, implements, etc., imported by the concessionaire. The cost of any improvements not covered by the amortization provisions must also be refunded to the concessionaire. All such payments, as well as his profits, may be exported in gold exchange at the rate at which the capital of the enterprise was imported, that is, the gold parity of the chervonetz (10 rubles) in dollars, pounds, German marks, etc.

It may be objected that this rule does not apply in case of a premature liquidation of the concession. This objection, however, is based on a misunderstanding. When the Harriman concession was liquidated, outlays for the importation of machinery, for construction, etc., were refunded to the concessionaire in obligations payable on a gold basis.

Since the transfer of his profits abroad in the form of foreign drafts is guaranteed to the concessionaire under the terms of the existing agreements, he cannot be embarrassed by the prohibition of importation and exportation of Soviet currency and by special regulations for the issue of drafts to pay for imported raw materials and machinery. These agreements assure to him the supply of drafts necessary for purchasing raw materials and machinery and for meeting the interest and sinking-fund obligations on his foreign

loans within the limits fixed in advance by arrangement with the competent financial authorities. The concessionaire is also given a guarantee that he will be permitted to transfer abroad sums paid to him by the Government for his outlays not covered by the amortization provisions of his agreement, and also the sums he may realize by the sale of property which is not taken over by the Government. In point of fact, no case has ever occurred when a concessionaire has not been able to purchase foreign drafts from the State Bank after an authorization for the transfer had been duly issued to him.

Another problem in connection with concessions is the problem of labor. That Soviet labor has accustomed itself to foreign concessions seems to be indicated by the following resolution of the Eighth Congress of Trade Unions, held in 1928: "The masses of workers should be informed of the necessity of attracting foreign capital in those branches of industry which are unable under existing conditions to develop successfully with the help of the financial resources of the Soviet state alone." But the concessionaires on their part must accept the labor legislation in force in Soviet Russia, including the regulations for hours of labor. At present the eight-hour day is in operation, but in the near future the seven-hour day will be applied to enterprises operated by concessionaires as well as by others.

The concessionaires may hire workers through the labor exchanges or by means of a collective agreement with the trade unions. The number of skilled and unskilled foreign workers is fixed by the agreements at from 15 to 20 percent of the total number employed. In 1928 only 4 percent of the workers were foreigners, in 1929 only 3.3 percent, though in the Far Eastern concessions the ratio of foreign workers is considerably higher.

Because of their high rate of profits and the weak competition offered by national industry, the concessionaires in the early years paid higher wages on the average than did the state-owned enterprises. Later on, in 1928–29, wage conflicts developed as the result of the growth of national industry, the employment by concessionaires of raw materials produced within the country, and their desire to preserve the high rate of profits. There were also conflicts due to such questions as the protection of workers, hiring and dismissal. In 1928, when new collective agreements were signed, 15 disputes were reported in the mining industry, 54 in the metallurgical industry, 18 in the lumber industry, 41 in

the chemical industry, and 67 in the food-producing industries. Most of these troubles were due to disagreements over wages, though a few may be traced to exaggerated and ill-founded demands advanced by certain groups of workers excited by the systematic refusals of the concession administration. Not infrequently the management displayed a regrettable tendency to avoid mediation by the trade unions when applications were made direct to them by the men.

Looking back on the disputes that have occurred, we find that the majority were solved by an understanding between the parties or by the mediation of the local trade dispute committees. Thus 23 percent were decided in favor of the concessionaires, 49 percent in favor of labor, while 28 percent ended in a compromise. All things considered, experience shows that the better and stronger the economic organization of the concession itself, the fewer are the causes for labor disputes.

What are called technical aid contracts are now of greater vitality than concessions. These contracts are an indisputable necessity for the U. S. S. R. Their essential character consists of the obligation assumed by a foreign firm to put at the disposal of the economic organs of the U. S. S. R. its technical processes and trade secrets, to send engineers and skilled workmen to the U. S. S. R. to act as instructors, as well as to admit Soviet engineers to their own workshops. The signature by a foreign firm of a contract for technical aid signifies also the establishment of close relations with our scientific institutions. For this and other reasons we call these contracts "contracts for technical collaboration."

On July 1, 1929, there were 58 of these agreements in operation, but the number had increased to 108 by March 1, 1930. The distribution by countries was as follows: the United States, 42; Germany, 41; France, 10; Sweden, 7; Great Britain, 5; Italy, 2; Switzerland, 1. The distribution by industry was as follows: metallurgy, 37; chemistry, 26; electricity, 13; mining, 12; artificial silk, 4; miscellaneous industries, 16. The agreements with American firms have a most important place. This is partly due to the interest we are taking in mass production, so that we can produce goods at low prices. An example is the agreement concluded by the State Automobile Trust with Mr. Henry Ford. Our interest is also partly due to the growth of our commercial relations with the United States. Our exports to the United States (in round

figures, based on the official figures of the Amtorg Trading Corporation) amounted to $22 million in 1927–28 and to $40 million in 1928–29, and our imports were $91 million and $109 million respectively.

The number of offers of technical collaboration received by us from foreign firms has been growing steadily. It was 21 in 1925–26, 32 in 1926–27, 48 in 1927–28, and 63 in 1928–29. First place is held by Germany, which sends us 49 percent of all offers received. Then comes the United States with 24 percent. The number of offers received from Great Britain and France has also increased: the British offers were 7 in 1927–28 but 20 in 1928–29. All offers are submitted to a close scrutiny and it is to be noted that the proportion of applications from high class firms increases steadily.

As for foreign capital, which so far has refrained from substantial investments in the U. S. S. R., there seems no reason why it should not follow the lead of foreign industrial firms. Only firms of the highest standing, however, need hope to have their offers of capital and technical experience accepted for exploitation of the concessions proposed by the Soviet Government.

The effective employment of foreign technical methods, especially in industries admitting of high standardization of the American type, presents for us so urgent a problem that the Government has embarked on a program of still more energetic measures to encourage closer relations between our economic organs and reliable firms in America and Europe. The immense market of the U. S. S. R. is open primarily to foreign firms which already have given us, or will give us in the future, an opportunity to profit from their technical knowledge and their experience. They in turn will profit from orders for machinery and other goods.

THE EASTERN REPARATIONS SETTLEMENT

By Royall Tyler

WHEN the general lines of the agreement reached at The Hague on January 20 regarding non-German reparations were published, many people, accustomed to German reparation figures, must have rubbed their eyes at the trifling sums involved. Given a German annuity of $500,000,000, it was difficult to understand why Hungary should pay one of only $2,000,000, even if this were going some time later to increase to $2,700,000; or Bulgaria one of about the same size. And Austria was excused from all further payments on reparation account! The answer is that there had been much cancelling-out.

ATTEMPTS TO EXECUTE THE REPARATION CLAUSES OF THE TREATIES

Germany, in spite of the restitution of Alsace and Lorraine and considerable losses of territory on her eastern borders, was left by the Treaty of Versailles in an economic position that did not exclude the possibility of large reparation payments. The Treaties of St. Germain and Trianon, on the other hand, left Austria and Hungary to share between them the name of the old Dual Monarchy, and gave the bulk of its territory to other states. Indeed, the inheritance of the Dual Monarchy was a thing to be avoided. The Austrian Delegation to the Peace Conference, with this in mind, claimed that the new Austrian Republic had no more to do with the former Monarchy, held to be responsible for the war, than had the new Czechoslovak Republic. The treaties, however, made Austria, Hungary and Bulgaria liable for shares of a total reparation charge to be assessed upon Germany and her former allies, collectively, by the Reparation Commission, which was further to distribute the charge between the debtor states, to assess the value of state property in the territories ceded, and to set it off against the reparation charge laid upon each debtor state. Thus, when Austria and Hungary observed that it was unjust to saddle them with the old Monarchy's reparation liability, they were told that they might hope to see their effective charge reduced to negligible proportions; indeed, theoretically, they

might find themselves, when all scores had been settled, with creditor balances.

In the meantime, however, the Reparation Commission had a prior lien on all their assets. In these circumstances, the national credit of the debtor states sank out of sight. That of the Eastern creditor states was hardly more promising. Czechoslovakia and Poland, who had no prospect of substantial reparations, risked having themselves to make substantial payments (1) to the debtor states on account of state properties in the ceded territories, and (2) to the principal Powers in redemption of Liberation Bonds representing a contribution to the cost of freeing their territory. As for the Eastern countries which had, as sovereign states, actually taken part in the war on the winning side — Serbia (now grown into Jugoslavia), Rumania and Greece — they naturally considered themselves not less entitled to reparations than the Western Powers, and pointed to treaties which recognized their right to a share in a total to be made up, in proportions later to be specified, by Germany and her late allies, and which gave no authority to withhold reparation from any creditor state on the ground that the debtor states geographically nearest to it were not in a position to pay.

The Reparation Commission on April 30, 1920, found that the total reparation liability of Germany and her allies was $33,000,000,000. It never did apportion this charge, nor did it assess state property in ceded territories. Hope of knowing their fate, for Austria, Hungary and Bulgaria, as well as for the Eastern creditor states, remained as remote as before.

Bulgaria, preferring a hard bargain to prolonged uncertainty, negotiated in 1921 a settlement of her own, a scale of payments which, starting with a small annuity, rose to one of $8,000,000. This scale had in due course to be revised as exceeding Bulgaria's capacity, but the relief afforded by it during the opening years enabled the country to arrest the depreciation of its currency at a much higher point than any other of the debtor states, and to reattain financial stability with less foreign aid (and control).

If uncertainty still prevailed as to what the debtor states were to pay, the creditor states did come to an agreement among themselves as to the percentages according to which anything recovered in respect of reparations was to be shared. At Spa, in 1920, it was agreed that, subject to a priority granted to Belgium during

the opening years, in recognition of her special claims, German payments should be distributed as follows:

France	52	percent
British Empire	22	"
Italy	10	"
Belgium	8	"
Japan	0.75	"
Portugal	0.75	"
Rumania, Jugoslavia, Greece and other Powers entitled to reparation	6.5	"

Then percentages were altered, in response to demands made by the British Empire, Italy and others, under the Hague agreements of August 1929.

Further, the Spa agreement distributed payments to be received from Austria, Hungary and Bulgaria as follows:

France	26	percent
Italy	25	"
Greece	12.7	"
British Empire	11	"
Rumania	10.55	"
Jugoslavia	10	"
Belgium	4	"
Japan and Portugal	0.75	"

A significant point stands out in connection with these agreements: the Eastern creditor states were induced to put up with small percentages in German reparations by the prospect of larger shares in Austrian and Hungarian payments. A relation was thus created, in fact if not in law, between what Italy, Greece, Jugoslavia and Rumania could hope to receive, and what Austria, Bulgaria and Hungary could be made to pay. This must be borne in mind, in fairness to the creditor states, neighbors of Austria and Hungary, when the course of Eastern reparations is being studied. It goes far to explain why, a few months after the Reparation Commission was formally constituted in Paris (January 1920), an Austrian Reparation Commission came into being in Vienna, closely modelled on the Paris Commission, complete with a Delegate and a Deputy-Delegate for each creditor state, heading in each case a national delegation with its General Secretary and Assistant General Secretary and other officers, to say nothing of an Interallied General Secretary and his Assistant General Secretaries, and various technical services staffed by ex-

perts, the whole of course amply supplied with secretaries and typists. This body went on for a year, holding plenary sessions, turning out reports, for all the world as if there were any prospect of getting payments from Austria, until the position was realized by the leading statesmen of the chief Powers, gathered together in London in March 1921, when the Austrian Commission was hastily abolished and its powers transferred to the Commission in Paris. If it did nothing else, this experiment prevented any similar error from being committed in Hungary. There, the Reparation Commission never had more than a small office staffed by a few technical officers without representative capacity.

RECONSTRUCTION OUTSIDE THE TREATIES

The *reductio ad absurdum* of the reparation thesis as applied to Austria made it clear to Western minds that Austria would eventually be let off altogether, and suggested that it would be wise to treat Hungary in the same way. The Eastern creditor states could not be expected to take so detached a view, for they had only recently been offered relatively high percentages in Austrian, Bulgarian and Hungarian payments in compensation for vanished hopes where Germany was concerned. The matter was delicate; the only course seemed to be to leave it alone for a time. But it soon became obvious that something would have to be done to save the debtors from utter ruin: the Austrian and Hungarian currencies continued to fall, and relief credits placed at Austria's disposal by some of the Western Powers were swallowed up without bringing about any lasting improvement. Hungary, an agricultural country, was better off than Austria, which was now unable to buy sufficient supplies from abroad, with the result that her urban population fell into a state of want nothing short of an international scandal.

At this juncture, Austria appealed to the League of Nations for assistance, and by 1923 a scheme had been approved for putting her finances on a sound basis. Its main feature was a long-term loan to enable the currency to be stabilized and the budget balanced, under the control of a Commissioner General appointed by the League. Now, the Reparation Commission had a prior lien on all Austria's assets. The Reparation Commission had to be induced to relinquish this lien, in order that suitable assets might be offered as security for a loan. The reluctance and

misgivings of the Eastern creditor states were overcome by keeping the lien in existence, while suspending its operation for 20 years, the currency of the loan. Thus Austria was freed of reparation payments for 20 years, and was able to give securities for a loan, which further enjoyed the guarantee of the leading European Powers. As for the Eastern creditor states, they were allowed to hope that if the reconstruction scheme succeeded and Austria became solvent, they might obtain from her some of the reparation payments which had so far eluded pursuit. The loan of $100,000,000 was successfully issued in half-a-dozen countries, and the League reconstruction program went smoothly ahead. From the moment the loan was secured, indeed from the moment when it became likely to be secured, the currency steadied. Confidence quickly returned, goods and services were revalorized. The success that attended the scheme from the start far exceeded the expectations of its authors.

It had not been in operation many months before Hungary in her turn applied to the League. Here, the problem was in some respects simpler than it had been in Austria, in others more difficult. Hungary exports food, and therefore the establishment of a healthy balance of payments appeared practicable. The difficulty was more of a political nature. Although the framers of the Peace Treaties had been unwilling to admit new Austria's claim that she had nothing to do with the old Monarchy, as time went by the world relented towards this peaceable, unresentful and sincerely republican little state. With Hungary the case was different. No Hungarian representative ever asked favors for his country on the ground that it was not identical with pre-war Hungary. Nor was there any change in the form of government. On the contrary, the Hungarian ministers plenipotentiary who presented themselves in ex-enemy capitals after the resumption of diplomatic relations came in the name of a Royal Hungarian Government and established themselves in Royal Hungarian Legations. Visitors to Budapest, even if they did not understand the words which, in large letters over many public buildings, proclaimed them to be Royal Hungarian this, that and the other, were met at every turn by reproductions of the Sacred Crown of Hungary, and by countless evidences that, to Hungarian minds, the new order was an iniquity imposed by force on a prostrate enemy, which might at any time be reversed by another turn of fortune's wheel.

It is not to be wondered at that the Eastern creditor states thought twice and thrice about it, and that there was never any question of getting for Hungary terms as easy as Austria's. In order to win assent to a 20 years' suspension of the reparation lien — and thus to get a loan of $50,000,000, half as much as Austria obtained — Hungary had to agree to reparation payments during those 20 years: an average annuity of $2,000,000 was set, about 25 cents per annum per capita of population, provision being made for suspension of transfer if it should be shown to be imperiling the stability of the currency.

As in the case of Austria, the text of the agreement contained no indication as to what was to happen afterwards. The Hungarian Government's own view was that its reparation liabilities would be entirely discharged by the 20 annuities. Had Hungary not had to agree, tacitly, not to press its own claims to reparation in connection with the Rumanian occupation of Hungary in 1919? If the Hungarians had demanded explicit recognition of this view in the text, the negotiation, difficult enough at the best, would undoubtedly have failed. In the circumstances, the Hungarians were advised by their friends not to insist. Some believed that the entire reparation question would be disposed of long before the 20 years were over; they very likely told the Hungarians so, and encouraged them on that ground not to demand a definite assurance. Thus a misunderstanding was sown which cropped up when the final settlement was being negotiated in 1929–1930.

The Hungarian reconstruction scheme, also under the control of a Commissioner General appointed by the League, went into operation in the spring of 1924. The loan, which unlike the Austrian one was not guaranteed by foreign governments, met with marked success, and two years later the League Council was able to state that financial stability had been attained, and to remove budgetary control. Without attempting, in this article, to follow the course of German reparations, a passing reference may be made to features in the Hungarian scheme which were shortly afterwards incorporated in the Dawes Plan: (1) a loan to permit currency stabilization and budgetary equilibrium; (2) satisfaction to the creditors by a provisional annuity within the capacity of the debtor state; (3) provision for suspending transfer of the annuity in case transfer threatened the currency stability of the debtor state (the celebrated "transfer clause" which figured so

largely in subsequent reparation history); and (4) deferring of the fixation of the total reparation liability until financial stability should have been definitively attained.

The rapid success of the League reconstruction schemes in Austria and Hungary revived the credit of both countries. Their currencies became stable, their budgets balanced. It can readily be understood that the Eastern creditor states should have felt embitterment when they saw Austrian and Hungarian issues, state, municipal and private, successfully appearing on European and American markets which remained closed to them because their currencies had not been stabilized, their budgets had not been balanced, and they had undefined liabilities weighing on them. They were naturally determined not to surrender the only pledge that had been left to them: the final and as yet undefined reparation liability of Austria and Hungary. It represented not so much a prospect of obtaining payments from Austria and Hungary as a means of forcing their claims upon the attention of the chief Powers.

THE OPTANTS

The Treaty of Trianon establishes no connection between reparations and the optants' claims, but it proved impossible in practice to settle the one problem without the other, and a bare outline of the issue must be traced here. The Treaty provides (Article 250) that Hungarians possessing properties, rights or interests in territories ceded by Hungary, and opting for Hungarian nationality, are to be protected from liquidation without full compensation. For this purpose Mixed Arbitral Tribunals are set up, consisting in each case of three members: one Hungarian, one representative of the other state concerned and one neutral. If one of the states concerned withdraws its member, the Council of the League is to complete the Tribunal, thus permitting it to function. When, in the course of execution of a general measure of land reform, under which the large estates in Rumania were distributed among small holders, the property of Hungarian optants in Transylvania was so distributed along with the rest, the optants had recourse to the Mixed Arbitral Tribunal. The Rumanian case was that Article 250 did not apply, and that the Tribunal was incompetent. The framers of the Treaty, it was represented, could never have intended to preclude Rumania from carrying out a land reform; and this would be precluded if all the

big landowners had to be compensated at full commercial rates, for clearly if this were done for the Hungarian owners, it could not be refused to the others. When it appeared that the neutral member considered the Tribunal competent, the Rumanian member was withdrawn.

The League Council therefore had to consider a Rumanian protest against the optants' attempt to lay their claims before the Mixed Arbitral Tribunal, and a Hungarian demand that the Council discharge the duty laid upon it by the Treaty and complete the Mixed Arbitral Tribunal by appointing a member to the place vacated by the Rumanian.

The optants controversy remained for some six years on the Council's agenda, and baffled many attempts at settlement. Rumania stated that it would mean national ruin to admit the Hungarian case; rather than admit it she would withdraw from the League. Hungary, on the other hand, pointed out that the Treaty of Trianon contained one solitary clause advantageous to Hungary; she declined to give up her right, in maintaining which she considered that she was defending the principle of arbitration. Hungary further showed that a great number of claims having nothing whatever to do with the operation of the Land Reform Act were waiting to be dealt with by the Mixed Arbitral Tribunals, and that if the Tribunals were not allowed to function the justice promised by the Treaty to Hungarian nationals having property, rights or interests in the ceded territories was as good as denied, and the door opened to wholesale confiscation. To this the Rumanians replied that to admit the Hungarian claim would be to set up a régime of capitulations in favor of the optants. The optants, in the Rumanian view, should be satisfied with the protection offered to them by the Rumanian courts; any suspicion cast on the impartiality of these was a national insult.

The nearest approach to an offer to compromise was a Rumanian suggestion that the optants should be compensated out of Hungarian reparation payments. However, as the Rumanian share in the annuities which Hungary had agreed to pay up to 1943 amounted to a mere fraction of the total value of the optants' claims, this suggestion was unacceptable to Hungary. And, in the meantime, Czechoslovakia and Jugoslavia, who also had land reform measures to put into execution, were anxiously waiting to see how they could proceed without walking into the hornets' nest into which Rumania had stumbled.

THE SETTLEMENT

When the Hague conventions, negotiated on the basis of the Young Committee's recommendations of June 1929, had fixed Germany's total reparation liability and laid down the steps by which it was to be discharged, the way was open for the disposal of the Eastern reparation problems. Indeed, the German settlement itself was conditional upon agreement on the Eastern questions. The consent of certain Powers to it had been given subject to their receiving certain payments out of the Eastern pool.

With this huge issue at stake, negotiations started at The Hague on January 3, 1930, and resulted on January 20 in the signing of a series of conventions. These, with supplementary agreements signed in Paris on April 28, settled the Eastern reparations and optants questions, together with many others, abolished the Reparation Commission, and restored their full financial sovereignty to Austria, Hungary and Bulgaria.[1]

Among the three debtor states, Austria's case presented the least difficulty. She had been excused from reparations for 20 years. On the other hand, she had received, before the League took her affairs in hand, relief credits from the chief Powers, and these relief credits ranked reparations. Austria had agreed in 1928 to a schedule of payments lasting 40 years to discharge this debt: an annuity starting at $1,400,000 and rising to $3,700,000. It was generally recognized that this burden was as much as she should be asked to assume. These relief credit payments do not go into the reparation pool.

Bulgaria's affairs gave the negotiators more trouble, for in 1921 she had agreed to a scale of reparation annuities rising to $8,000,000, and had made full payments accordingly until the last couple of years, when she had been allowed to defer part of the annuity. It had become clear that the 1921 schedule far exceeded her capacity, and agreement was finally reached on 36 annuities starting at $2,000,000 in 1931 and reaching a maximum of $2,500,000 in 1950, the provision being maintained that transfer might be suspended in case the currency were menaced.

All this was child's play compared to the Hungarian question, which appeared to be insoluble up to the last moment. The formula on which, to every one's astonishment, agreement was

[1] The agreements reached at Innsbruck and Prague on the pre-war public debt of the old Monarchy were of course not affected by the Hague settlement.

reached by exhausted negotiators at 5 o'clock on a January morning, was a somewhat elastic one. It had the sovereign merit of binding the parties together pending the threshing out of details during long weeks of subsequent discussions in Paris.

No sooner had the Hague parleys started than the misunderstanding referred to above as to Hungary's reparation liability loomed up. The Hungarian Government considered that its reparation debt would be entirely discharged by the payment of the 20 annuities, ending in 1943, to which it had agreed in connection with the League's reconstruction scheme. Count Bethlen, who led his delegation (and who had been Prime Minister of Hungary uninterruptedly since 1921) stated that in 1924 he had received verbal assurances that if Hungary would agree to the proposed annuities, she would not be asked to pay more. He added that he had nothing in writing, and mentioned no names. The formal position was that no one, in 1924, had it in his power to make Hungary any promise as to her final reparation charge. Hungary had been offered a 20 years' respite subject to her paying certain annuities. If, in making up her mind whether to accept or reject the proposal, Hungary had been influenced by individual expressions of opinion, that was Hungary's business.

The creditor states insisted that Hungary must make payments after 1944, and up to 1966. Moreover, on the strength of a Hague resolution recommending that all financial questions left pending should be disposed of, it was urged that the optants controversy should be dealt with at the same time. The states bordering on Hungary said they could not talk figures, where Hungary was concerned, as long as the danger subsisted that damages of unknown magnitude might be found against them by the Mixed Arbitral Tribunals. If Hungary insisted on strict application of the Treaty, they added, well and good. Let the Reparation Commission, kept alive for Hungary's exclusive benefit, proceed to assess Hungary's liability, deduct the value of state properties in ceded territories, and notify Hungary as to how she was to discharge her debt, with the prospect of allowing the general lien established by the Treaty to continue until the debt should have been entirely paid off. And let Hungary prosecute the optants' suit before the League Council. If, however, Hungary wished to avail herself of a last opportunity to get rid of the cumbrous Treaty procedure, and to negotiate an agreement on common-sense lines, she must give up her legal position based on the

Treaty, and consent to discuss reparations and optants together. The Eastern creditor states could negotiate only if Hungary, on behalf of her optants, relinquished the right of appeal to the Mixed Arbitral Tribunals for the future.

This deadlock was resolved by an ingenious compromise, under which each side maintained its formal position, while each made considerable concessions in practice. The scheme is necessarily intricate in its details, which would require, in order to make them comprehensible, explanations running far beyond the scope of this article. The texts themselves are of course easily available. The essence of the compromise is that Hungary agrees to pay an annuity of $2,700,000, in liquidation of all Treaty charges (pre-war debts excepted), after 1943 and until 1966, while Czechoslovakia, Jugoslavia and Rumania consent to the continuance of the Mixed Arbitral Tribunals, enlarged by two neutral members, and all the Powers concerned collaborate in constituting two funds out of which the awards given by the Tribunals to Hungarian optants are to be paid: Fund "A" for the agrarian optants, *i.e.*, those whose property was liquidated in connection with Land Reform; and Fund "B" for the others. All Hungary's payments after 1943 are devoted to these funds, together with certain payments made by Rumania, Czechoslovakia and Jugoslavia; the shares of Belgium, France, the British Empire, Italy, Japan and Portugal in Hungarian payments up to 1943; a further contribution to be made by France and Italy (40 percent each) and Great Britain (20 percent).

The nominal capital of Fund "A" is roughly $44,000,000; that of Fund "B" $20,000,000. The first pays interest at 4 percent; the second for a dozen years at 3 percent and then at 4 percent; and both are to be amortized by 1966. The nominal value was arrived at on the basis of Hungary's estimation of the value of the properties in question, after certain deductions in respect of restored properties had been made. There are provisions for issuing bonds secured by these funds, so as to enable optants who have received favorable judgments to obtain cash.

Thus, in effect, the creditor Powers have not only foregone all Hungarian reparations after 1943, but have abandoned to Hungary a part of her payments up to 1943 and are making further contributions to the funds to satisfy her optants.

Hungary has maintained her points of principle: (1) no reparations after 1943 (for her payments then are in satisfaction of other

claims and charges, and be it remembered that these claims in fact existed, and ran into very large figures); (2) maintenance of the Tribunals; and (3) liquidation of Hungarian property in the ceded territories to cease.

Czechoslovakia, Jugoslavia and Rumania are freed from the prospect of being condemned by the Tribunals to pay unknown awards, the extent of their contribution to Funds "A" and "B" being already fixed.

Further points of the settlement are the wiping out of all claims in respect of state properties in ceded territories, and the remission of all Liberation Bonds except Czechoslovakia's; in discharge of this debt Czechoslovakia undertakes to pay 37 annuities of $2,500,000 each, to be distributed between France, Great Britain, Italy, Belgium, Japan, Portugal and Greece in such a way that France and Italy each receive rather over 30 percent, Greece 17 percent and Great Britain 13 percent.

The reparation payments of Bulgaria and Hungary (those up to 1943 only, in Hungary's case, being considered reparation payments) are distributed as follows:

	Bulgarian payments	*Hungarian payments*
Greece	76.73 percent	76.73 percent
Rumania	13 "	13 "
Czechoslovakia	1 "	1 "
Jugoslavia	5 "	2 "

The balance goes to the other creditor Powers as provided by the Spa and subsequent percentage agreements.

The claims made on Hungary and by Hungary lay at the heart of the Eastern reparations problem. When Count Bethlen presented the Hague settlement to the Hungarian Parliament, he was attacked on the ground that he had committed the country to paying its own optants: an unfair criticism and an ill-informed view. However, the violence with which it was expressed may be taken as a measure of the difficulties he had to contend with. It was fitting that the man who, in the face of much opposition at home, took Hungary to the League and executed the League's reconstruction program, should have negotiated a settlement, towards which Hungary made her fair contribution, of problems which had for years baffled the Reparation Commission, the League and the chief Powers. All the parties to the settlement are to be congratulated on it, and most of all the country which had most at stake.

DICTATORSHIP IN GERMANY?

By Carl Joachim Friedrich

FOR some months there had been signs of the thunderstorm which burst over the German parliamentary system in the middle of July and made inevitable the elections which are to be held about the time this appears in print. It is impossible to understand the full portent of the crisis by itself. What forces, social and political, have been pushing the German Parliament along its road to self-destruction? On July 16 the Reichstag empowered the cabinet to cover the deficit in its budget by an emergency measure. Two days later the same Reichstag demanded the revocation of these emergency measures. As a result, the Reichstag was dissolved, and the proposed financial policy of the government is being carried out by presidential emergency ordinances.

These events have caused widespread agitation, both in Germany and abroad. The situation which has arisen has been freely characterized as a dictatorship. Such an interpretation will challenge the closest attention of all those interested in popular government. In order to obtain a satisfactory answer to the many questions which arise, we must first analyze the antecedents of the present situation as well as the situation itself, and then consider the use of dictatorial powers in popular governments generally.

At first glance it is striking that these tendencies toward dictatorship should have appeared immediately after the evacuation of the Rhineland, for the occupation had been a serious impediment to free political action on the part of Germany. Comments in Paris have not failed to emphasize this fact and to point out the threatening radicalization of German political life. It ought to be recalled that the Young Plan has eliminated another grave liability from German politics at least for the time being. It is a curious paradox that the very groups which, under the leadership of Hugenberg, attempted to sabotage the Young settlement by initiating a referendum to make the conclusion of the necessary treaties high treason, have been quick to seize upon the relief from external pressure which the settlement afforded. The Young Plan and the evacuation of the Rhineland have thus intensified the internal opposition against both the Socialists and the Communists. The rather artificial alliance between the

Socialists and bourgeois parties as far to the right as the People's Party, which the liquidation of the war necessitated, is rapidly disintegrating. The People's Party, which had been held in line by the powerful personal influence of Gustav Stresemann, has rediscovered its internal enemy, the Marxists. Another complicating factor has been the shift of the Center or Catholic Party to the right under the leadership of Dr. Brüning. This reshuffling and reorientation of parties within Germany has been aided by the fact that the past Reichstag contained no working coalition after the forces just described had broken the great coalition to pieces.[1]

The lack of clear-cut policies and the absence of a coherent majority behind the government found expression in a continuous wrangling over budgetary problems. The passing of the new budget for 1930–1931, which should normally have been accomplished by April 1, dragged on and on. Meanwhile, the general business depression in Germany, as in other parts of the world, aggravated the government's financial situation. The ever-increasing numbers of unemployed, which reached the staggering figure of 2,770,000 at the time of the crisis, resulted in heavier and heavier burdens being put upon the government for unemployment insurance payments and general relief. The cessation of the percentage contributions from wages resulted in a double load, since every new unemployed worker meant one less contributor to the current funds.

On the other hand, the multiplying failures of business concerns and farms produced further demands for the extension of the vicious system of governmental aids to private business, which had been initiated during the period of the stabilization of the currency, when many of the largest concerns in Germany were threatened with destruction. Earlier in the year one such measure had been widely advocated, namely governmental support for agriculture in Eastern Prussia and the regions along the Polish border, where severe difficulties were being encountered. This so-called "*Ost hilfe*" (Help for the East) had been supported with uncompromising insistence by the Nationalist Party, the exponent of important German agricultural interests, primarily the larger estates.

Toward the end of May it became apparent that the govern-

[1] For an analysis of the parties composing the last Reichstag see "Political Handbook of the World, 1930," Council on Foreign Relations, New York, pp. 71–75; also "The Political Dilemma in Germany," by A. Mendelssohn Bartholdy, FOREIGN AFFAIRS, Vol. 8, No. 4.

ment was faced with a deficit of over 310 million marks (about 75 million dollars) for the fiscal year ending March 31, 1930, and of 450 million marks (about 110 million dollars) or more in the budget proposed for the financial year already begun, a budget which had not even been passed by the Reichstag. Of this latter sum, about 300 millions were due to unemployment. Truly a desperate situation, which the government must remedy.

The budget, already severely strained, was in danger of being completely disrupted by extraordinary expenditures resulting directly or indirectly from the business depression. In the ensuing discussions regarding the ways and means by which to meet the impending deficits, the anti-Socialist elements naturally seized the occasion to attack with greater vehemence the extensive social welfare budget of the German public authorities. This social welfare program had already encountered considerable criticism in recent years, not only within Germany but also by the Agent General for Reparation Payments in his Annual Reports. A considerable part of these expenditures were undertaken by state and communal authorities under the financial and tax system inaugurated by Erzberger in 1919. The revenues of these states and communes were largely supplied by the Federal Treasury out of national taxes, while at the same time the federal authorities had no control of and therefore no responsibility for the expenditures of these local authorities.[2] One point in these discussions is of particular importance for an understanding of the present troubles. The two means of taxation directly used by the communes were taxes on real estate and on trade, both of which fell on the shoulders of the propertied classes. Since Socialists controlled the local governments in many cases, it was generally felt by the opposition that they were recklessly increasing social expenditures in favor of those who in no way felt the pressure of taxation resulting therefrom. Consequently the People's Party and the Economic Party, both exponents of these propertied classes, decided to press for a head or poll tax, which should bring home to everybody the need for greater economy in public expenditures. The Socialists and Communists replied by attacking the budget of the defense ministry and the aforesaid governmental aids to business concerns and agriculture. They believed

[2] The expenditures for social welfare by cities, investigated by the German Association of Cities, were almost 400 percent higher in 1925 than in 1913. For greater details regarding these controversies see the writer's article "Reparation Realities" in FOREIGN AFFAIRS, Vol. 7, No. 1; and the "Annual Reports of the Agent General for Reparation Payments."

that the impending deficit could easily be wiped out by cuts in these items of the budget. The middle groups could not be brought to accept either the Socialist or the Nationalist demands, since their right wing tended to favor the latter, their left the former. In considering the later negotiations, it is necessary to bear in mind that the Cabinet of Dr. Brüning had come into power by eliminating the Socialists from the Cabinet. It was therefore to a considerable extent committed to a policy of coöperation with the right wing of the Reichstag. General rumor had it that this was also the understanding of President Hindenburg in appointing the Brüning Cabinet.

As a matter of fact, it remains doubtful whether either the Nationalist or the Socialist position could have found a majority. Neither of these parties could rally sufficient additional support from the middle groups to achieve a majority without some compromise, yet both seem to have been quite intransigent with regard to their position. The more extreme groups on the same side of the house made this attitude practically inevitable. It is hard for the outsider to appreciate the fact that both the Nationalist and the Socialist parties are more concerned about losing to their Fascist and Communist next-door neighbors than they are about anything else. This condition, it is generally charged, is a result of proportional representation. Proportional representation, with the "list system" as it is practiced in Germany and other European countries, tends to eliminate the concentration upon major issues in favor of general agitation on behalf of various political beliefs. This, it is charged, gives undue opportunities to extremist groups, for they are not liable to be included in the government and made responsible for their election promises. But even more serious is the effect which the presence of these extremist rivals has upon the powerful conservative Nationalist and Socialist parties; for they shun the responsibility of government for fear of giving their extremist competitors the golden opportunity to blame them for all that goes wrong. It seems that considerations such as these have been uppermost in the minds of the responsible leaders both of the Nationalist and of the Socialist Party. Whenever they were approached by the government with a view to working out some kind of coöperation, they were said to have demanded "guarantees" not immediately connected with the legislation in hand. Palpably they wished to exploit the precarious position of the

government to extort concessions more radical than the moderate groups supporting the government were willing to concede. The Nationalists seem to have gone a good deal further, however, than the Socialists. Presumably they even suggested that the Center (Catholic) Party dissolve its long-standing coalition in Prussia which, from the point of view of the coalition, has been highly successful.[1] Such suggestions cannot possibly be considered by the Center Party, whose leader is Dr. Brüning himself.

Viewing the situation, the government determined to attempt a compromise. Its plan included, in addition to a reform of the unemployment insurance, consisting of an increase of the contributions from 3½ to 4 percent, two major measures: an extraordinary levy upon those receiving fixed incomes, primarily officials, provided their incomes were above about $2,000; and a special surtax on the incomes of bachelors and spinsters, amounting to 10 percent of their present income tax. This program immediately aroused a great deal of opposition in all quarters, including Finance Minister Moldenhauer's own party, the People's Party. Indeed, his plans were a sad disappointment after the optimistic promises made by Dr. Moldenhauer at the time he assumed office. He then hoped to be able to effect a 600 million mark reduction in taxes through savings in governmental expenditure. These supposedly possible savings had been the fond dream of his friends in the People's Party. The disillusion in all conservative quarters was keen. Dr. Moldenhauer, having failed to rally public opinion behind him for the support of the absolutely necessary sacrifices, was made the scapegoat and on June 18 was obliged to resign. There seems to be a widespread belief that his fall was at least partly due to the desire of his own party to dissociate itself from so unpopular a plan and to "regain its liberty of action." It would be rather difficult to explain it otherwise, in view of the fact that the new Finance Minister, Dr. Dietrich, of the Democratic Party, has not altered these propositions fundamentally. To be sure, the protests of the officials have been met in part by a reduction of the extraordinary levy upon their incomes to 2½ percent and a general addition to the income

[1] It is one of the dearest dreams of Hugenberg to "smash" this coalition, which is giving the "Marxists" ever more opportunity to entrench themselves in a state whose dominant rôle in German political life is due to its size (two-thirds of the country's population) as much as to its traditional position as leader of the small north German states. Even the widely agitated reform of the federal structure of the Reich is in part due to the desire to smash this "Red Prussia." It is indeed a complete reversal of former tendencies that the forces of progressivism should be dominating Germany through their control of Prussia.

tax on all incomes above 8,000 marks (about $2,000) at the rate of 5 percent of the income tax as at present assessed. But on the other hand, the levy applies to all incomes of over 2,000 marks (about $500).[4] These were but minor alterations, and so the Socialist and Nationalist opposition continued. In fact the Socialist opposition became more determined, since a tendency appeared on the part of the government to include an amendment moved by one of its own parties, the People's Party, embodying the above-mentioned poll tax.[5]

With these opposition groups adamant, the plan failed to pass the Budget Committee of the Reichstag, whereupon the government decided to take the bill before the plenary session on July 16. But the hopes of the government to secure the majority there by a general appeal were not fulfilled. Chancellor Brüning frankly declared that if the Parliament did not accept these measures the government would, in the interest of democracy, take all constitutional measures to secure the necessary financial legislation. This meant, as the Socialist speaker who replied to the Chancellor was quick to point out, that the Chancellor was planning to use the powers granted the President and Chancellor in time of need, *i.e.* that he was going to pass the necessary measures without the sanction of Parliament. In spite of this general appeal to political responsibility, the government's bill was defeated on July 16 by the combined vote of Socialists, Nationalists, Communists, Fascists, and certain minor groups associated with them. A split in the Nationalist vote was not of sufficient extent to alter the outcome. Thereupon the government proceeded to employ Article 48, Paragraph 2, for enacting its proposals.[6]

The use of Article 48 caused widespread apprehension among constitutional lawyers and politicians interested in the maintenance of the present Constitution. The Minister of Justice even went so far as to advise the government through his secretary of state that the procedure was contrary to the Constitution. As a result, his party immediately introduced a motion demand-

[4] Other minor adjustments included an extension of the surtax on bachelors, and reductions in governmental expenditures to the extent of 100 million marks. The bills were passed by the National (Federal) Council in this form on June 29.

[5] The amount of this tax per capita of adults gainfully employed in trade or receiving an independent income was to be 6 marks ($1.50), with some adjustments for married people.

[6] The pertinent phrase of this article reads: "If public safety and order is materially disturbed or endangered, the President may take the necessary measures to restore public safety and order and, if necessary, to intervene by force of arms."

ing the Reichstag's dissolution, but this resolution was overwhelmingly defeated as the Socialists abstained from voting.

The Socialists had already announced their intention of moving that the presidential ordinances be revoked, a possibility which is provided for by the third paragraph of Article 48.[7] In fact, it is generally believed that the Socialists did not support the motion to dissolve the Reichstag in order to have an opportunity to move the revocation of the government's emergency measures. For obviously such a step could not be taken after the Reichstag had been dissolved. The idea is sometimes advanced that this could be accomplished by the Standing Committee of the Reichstag which continues to meet when the Reichstag is not in session in order to safeguard the rights of the representatives of the people. This view is considered unsound.[8]

It was generally believed at this stage that the Nationalists were planning to vote against the Socialist motion. The answer usually given when people inquired why the Nationalists should then have voted against the government proposal was, that the Nationalists desired to use this admirable occasion for broadening the interpretation of Article 48, thus strengthening the power of the President. For it must be remembered that their dominant slogan at the preceding election had been "More power to the President." The interpretation of what constitutes a serious danger to public safety and order must certainly be stretched if it is to include the unwillingness of the Reichstag to pass a necessary piece of legislation; but such an interpretation is not without precedent.[9] But apart from these constitutional considerations which were imputed to the Nationalists, it was generally believed that Hugenberg and his followers wanted a crisis, as long as this crisis could be blamed upon the parliamentary régime and used to discredit the existing system of government. The final outcome of the struggle seems to indicate that these general political considerations were decisive.

It was natural that the Socialists should have introduced the motion to revoke the presidential measures in order to force the Nationalists either to take the responsibility for the proposed

[7] The pertinent phrase reads: "The President must immediately inform the Reichstag of all measures adopted. . . . These measures shall be revoked at the demand of the Reichstag."

[8] The pertinent phrases of Article 35 read: "The Reichstag . . . appoints a Standing Committee for the protection of the rights of the representatives of the people against the Cabinet . . . between the dissolution of the Reichstag and the convening of a new Reichstag."

[9] Cf. pages 129–130, below.

financial measures by voting against their motion or to carry the issue to the voters after a dissolution of the Reichstag. This determination of the Socialists was intensified by the inclusion of the head or poll tax in the presidential ordinance.

In the interval between the issuing of the presidential ordinances on July 16 and the vote upon the Socialist motion on July 18, Hugenberg made a final gesture for coöperation with the government. It was dictated by the existence of very serious dissensions among the members of his party. The agrarian wing under Count Westarp and Dr. Schiele, a member of the Brüning Cabinet, believed that the time for coöperation had come. Presumably they also felt that their election slogan "More power to the President" obliged them to support a measure which had Hindenburg's express backing. Hugenberg, on the other hand, was apparently determined to force the dissolution of the Reichstag, if the Cabinet would not resign. His oft-repeated "Not a dime and not a man for this system!" remained the guide of his actions, which were directed toward provoking a crisis. Whether these last-minute conferences were undertaken in the hope of keeping his party together is not definitely known. The conciliatory attitude which Hugenberg showed in these negotiations was commented upon; but, as was sarcastically pointed out at the time, even rather "mild desires" on his part, like the abandoning of the commercial treaty between Germany and Poland, were considered outrageous by at least some members of the Cabinet. Since an acceptance of these demands would have meant a disruption of the existing coalition, Chancellor Brüning was bound to reject them.

Last-minute attempts to bring about coöperation with the Socialists seems very curious in retrospect when one considers that the whole tendency and persistent policy of the Brüning Cabinet had been to coquet with the Nationalists in rearranging their policies. However, the lack of unity within the government is illustrated by the fact that until the last minute it shifted back and forth between its opponents on both sides of the house without apparently being able to make up its mind between them. An important psychological factor in the situation is that the minds of those responsible for the conduct of the government are still dominated by the idea that the really desirable governmental policy must be found outside and beyond any compromises between existing parties or other organized groups. This notion that

the government must be something above and outside the parties is a heritage from the days of constitutional monarchy when this mysterious something was fostered by the king, his ministers and their officials. It is not recognized by many of these men that the true kernel of this unwarranted assumption lies in the fact that situations occur in political life when any decision is preferable to further delay. It might well be argued that such a situation had arisen in Germany. The government was incurring ever-increasing expenditures without a majority of the Parliament willing to vote the measures which would raise the necessary revenue. Some definite decision was of paramount importance.

The debate in the plenary session of the Reichstag on July 18, the day when the government was forced to put its emergency measures to the final test because the Socialists had demanded their revocation, was opened by a forceful attack by the Socialist speaker on the plans of the Cabinet to use the emergency powers of Article 48 "in order to remain in power." Dr. Wirth, Minister of the Interior, asserted that the failure to provide for the expenditures of the government in times of such acute distress as the present justified the use of Article 48 in order to enable the Cabinet in power to secure a balancing of the budget until the people had the opportunity to give their verdict for or against the government's proposed policies. The fact that the issue was drawn here suggests a strengthening of truly parliamentary procedure. For is it not the sanctioned tradition of English political life that a government which remains in the minority carries its policy to the electorate for a final verdict? That this is at least one aspect of the present crisis was further emphasized by the concluding sentence of Finance Minister Dietrich's frank and powerful appeal to political responsibility: "The question before us is whether we Germans are a bunch of interest groups or a nation." It is significant that this phrase has since become a catchword of political agitation. It popularizes the issue between those who wish to maintain the existing form of government and those who attempt to sabotage it.

The unexpected happened. Hugenberg and his followers joined the Socialists, Communists and National Socialists in their motion to revoke the emergency ordinances of the President, the vote being 236 for and 221 votes against the motion. Whereupon Chancellor Brüning produced his decree dissolving the Reichstag. The decree curtly announced: "The Reichstag having de-

cided to demand that my ordinance of July 16 issued according to Article 48 be revoked, I dissolve the Reichstag according to Article 25 of the Constitution."[10] The further words of the Chancellor were drowned by the shouts of the Communists: "Down with Hindenburg! Down with Fascism!" While members of the Reichstag left the building the Communists sang the "International."

Presumably the measures revoked by the Reichstag will be reissued by the President with some alterations. In considering the position of the government after the dissolution, it is necessary to keep in mind that anything it does will be subject to revocation by the new Reichstag, the election of which is set for September 14. One of the last official statements of the government before the dissolution of the Reichstag was that of its Finance Minister that the authority under Article 48 would not be used for any purposes except those demanded by the immediate situation.

Is it, then, appropriate at present to designate President Hindenburg as a dictator? The notion of dictatorship does not have in the minds of most people such a broad interpretation. When they think of a dictator they think of Mussolini, and the position of Mussolini certainly is and always has been fundamentally different from that of Hindenburg. For Hindenburg is the constitutionally elected President of a democratic republic, and he is exercising powers granted by the Constitution. These powers are not exercised by him individually, but require the countersignature of the Chancellor or one of the other members of the Cabinet.[11] Anyway, if one were to speak of a dictatorship at all, one ought to speak of this entire group, the Cabinet and the President, as dictator. Who is actually master within this little oligarchy it would be extremely difficult, if not impossible, to determine. But since the members of the Cabinet belong to different parties holding quite divergent views, it is highly probable that their powers under Article 48 will be sparingly used.

Certainly the makers of the Constitution were of the opinion that a constitutional arrangement for such temporary dictatorial powers was a vital part of democratic or popular government.

[10] Article 25 reads: "The President . . . may dissolve the Reichstag, but only once for the same cause. The new election occurs at the latest on the sixtieth day after such dissolution."

[11] Cf. Article 50: "All orders and decrees of the President, including those of the armed force, require . . . the countersignature of the Chancellor or of the appropriate Minister. . . . By the countersignature responsibility is assumed."

The very nature of this form of government, based as it is upon a separation of powers and legislation after extensive discussion and negotiation with all interested groups, is peculiarly in need of extraordinary arrangements whenever an imminent danger requires immediate action. The real reason for such arrangements as are made by Article 48 is the preservation of the constitutional fabric as a whole by temporarily dispensing with certain parts of it. The need for such an arrangement was felt with particular acuteness by the makers of the new German Constitution. Leading democrats like Dr. Hugo Preuss and Dr. Ablass are responsible for the whole institution, and it was the prevailing opinion of the committee which drafted the Constitution that during the period of civil disturbances following the end of the war and the making of the new constitution the President should be given fairly wide discretion. When an Independent Socialist member of the Convention protested against the threat to property rights involved in such extraordinary powers, Preuss sarcastically remarked that in times when the private property of citizens included machine guns it would be desirable not to insist upon due process. Dr. Ablass, who was reporter of this section of the Constitution in the Constitutional Convention, said there: "In this article the President has received a novel power. There is on the one hand the power to reëstablish public safety and order, if necessary by the use of armed force, and furthermore the power to suspend the fundamental rights of citizens. This power goes very far, but if we look at the history of our day we shall see that this power is born from necessity and that it gives to the President a strong means which he can hardly part with. I welcome this strengthening of the power of the President very much."

Reflection will show that some provision similar to this is found in the constitutions of all popular governments. But long periods of internal peace have usually led to a narrow limitation of the exercise of this power. Usually the decision as to whether such a state of emergency exists is entrusted to the legislature and has to be declared expressly by it. Thus the Congress of the United States is by the Constitution entrusted with this power.[12] Similar provisions are found in other democratic countries like England, Belgium, France and Holland. Such provisions are

[12] Cf. Article 1, Section 8: "The Congress shall have Power . . . (15) to provide for calling forth the Militia, to execute the Laws of the Union, suppress Insurrections and repel Invasions."

closely related to the powers derived by implication from the war powers of the executive.[13] President Lincoln's suspension of the privilege of the writ of habeas corpus indicates the extent to which the power has been used in the United States. The Supreme Court later decided that the power to suspend the privilege of the writ of habeas corpus was not vested in the President by the Constitution, but Congress passed a statute validating the President's act. It is generally assumed that Germany also will eventually limit the powers of the President and the Cabinet very strictly. Presumably power to declare a state of emergency will be vested in the Reichstag. The Constitution anticipates such further limiting provisions by a national law, but this national law has not yet been passed and the German Constitution is therefore incomplete in a rather important respect. This incompleteness has given anxiety to many Germans, because Article 48 contains not only the general grant of power but also the specific power of suspending certain fundamental rights of the German citizen guaranteed by the Constitution. They are: the right to be secure in his person and his house, the right to freedom of speech and of the press, the right peaceably to assemble and to associate, the right to his property, and the right to be secure against arbitrary confinement.[14] Considerable controversy has raged over the extent of this suspending power. It has been claimed that these were just examples and that under Article 48 any rights, even any articles of the Constitution, could be suspended. But Carl Schmitt has shown convincingly that there is a vital difference between a specific measure of the President "breaking through" a constitutional limitation, and a formal suspension.[15] In the latter respect the President is restricted to the above-mentioned rights. It would seem that even so the grant is wide.

In considering the present situation it ought to be kept in mind that the powers under Article 48 have already been used

[13] Cf. Article 11, Section 2, Paragraph 1 of the Constitution of the United States: "The President shall be Commander in Chief of the Army and Navy of the United States. . . ." However, these powers have been rather narrowly interpreted in the United States, as far as an infringement of the fundamental rights of the people is concerned. Cf. Ex Parte Milligan 4 Wallace 2 (1866).

[14] The corresponding provisions of the American Constitution are found in Articles I, IV, V, and VI. Although the Supreme Court once held that only the right to be secure against arbitrary confinement was subject to infringement through suspension of the privilege of the writ of habeas corpus, the Espionage and Sedition Acts passed during the World War show that Congress is able to restrict personal freedom considerably.

[15] Cf. Carl Schmitt, "Die Diktatur," 2nd ed., with an appendix "Die Diktatur des Reichspraesidenten nach Art. 48 der Weimarer Verfassung," an epoch-making discussion to which the writer is indebted for important suggestions for the general analysis here given.

rather extensively, during the troubled years from 1919 to 1924. During the time of the stabilization of the mark a considerable number of the most important pieces of legislation were issued in this form. Thus law-making powers were for a time transferred to President and Cabinet. This made it possible for the parties to "pass the buck" in some of the most irksome and unpopular measures which were generally considered necessary but for which nobody cared to take the blame. The provisions of Article 48 have worked as an extraordinary balance wheel for the difficult process of parliamentary government under a system of proportional representation with its multiple party groups and the resulting lack of a coherent majority. Yet it is generally felt that the present situation is rather unlike these previous occasions.[18]

The real and important check against the abuse of all this power is found in the power of the Reichstag to revoke any of these measures. How valuable this check is the discussion of the present situation has shown, for through its use the opposition groups were enabled to force a dissolution of the Reichstag and an appeal to the people. Such an appeal to the people is, after all, the *ultima ratio* of popular government. In this sense it can even be said, and it has been said, that this article enables the President to enforce responsibility—in other words, to make parliamentary government more real. The only difference, and it is an important one, consists in the fact that the Cabinet is proceeding to enact the measures which led to the crisis. However, its decision is only intermediary inasmuch as the incoming parliament can revoke them all immediately after it has been convened.

In the meantime there remain important limitations upon the exercise of these extraordinary powers under Article 48. In the first place, since the reëstablishment of public order is the object of all measures taken by authority of this article, no measures can conceivably be justified which would look toward destruction of the Constitution. In the second place, there is a minimum of constitutional organization implied by Article 48 itself. This minimum includes at any rate the President, the Cabinet and the Reichstag. In other words, the most important structural constituents of the German system of government are anchored

[18] Dr. Koch-Weser, the leader of the Democratic Party, interrupted the Socialist speaker during the final session on July 18 by exclaiming: "Do you really want to pretend that the present situation has the remotest similarity with the previous occasions when Article 48 was used?" This is something of an exaggeration, for the circumstances of dissolution in March 1924 resemble the present instance in several important points.

in Article 48 itself. A third and very important limitation is derived from the fact that only temporary acts of the government directed towards the maintenance of public safety and order can be called emergency measures. Constitutional amendments, general laws or judicial decisions are not such measures. Even during the emergency, then, the activities of the government are subject to review by the courts. The Standing Committee of the Reichstag could appeal to the Court of State if for example the government attempted to interfere with the elections by suppressing newspapers, dissolving meetings or any other acts which did not seem warranted by the particular emergency. The emergency this time is the need of raising the necessary revenue, a peculiarly limiting purpose.

From all that has been said it will be apparent that the present situation has primarily internal significance. It does not touch the German Constitution and therefore does not affect international relations, even temporarily. The only effect which it has is to postpone the final decision in such matters as would be naturally postponed by adjournment of the legislature. One such measure pending at present is the commercial treaty between Poland and Germany. The loss from delay in its passage cannot be considered very grave — if a loss it is — in view of the fact that the Polish Sejm was prorogued by Pilsudski *ad calendas græcas* before it could ratify the treaty.

The crisis through which Germany has been passing does not at all imply the establishment of a dictatorship. It means even less the restoration of a monarchy. As has been shown by Carl Schmitt, one of the most acute constitutional theorists, Article 48 is peculiarly ill adapted to such purposes; for its end is, as has been said before, the maintenance of the Constitution. The reflective observer has to beware of giving too much credence to the excited accounts of journalists in times of crisis in Germany. She continually shows a tendency to run up a fever over any political controversy of note. Party feeling is very intense, public debates are impassioned, personal rivalries acute. One is reminded of the fervent partisan spirit of the Restoration period in France. Such violent agitation seems to be an inevitable concomitant of a rapidly progressing yet incomplete political education of the people at large. The public has not yet developed that kindly and slightly cynical resignation to the rule of "the boss" which is characteristic of old democracies.

If such psychic factors are combined with deplorable economic and social maladjustments resulting from a lost war, any system of government is bound to be subject to a serious strain. As a result, extremist groups are threateningly strong and are likely to become stronger. One major upshot of the present cataclysm is the break-up of the Nationalist Party, as a result of Hugenberg's aggressive and radically reactionary leadership, and the tendency of their truncated majority under Hugenberg to seek an alliance with the out-and-out revolutionary National Socialists under the operatic if somewhat verbose Hitler. Such an alliance would certainly mean a considerable radicalization of the German Reichstag. For even if the present parties returned in almost the same strength — and the general pre-election fear is that the radical groups will gain in strength — it would mean that the Reichstag is bordered on the one wing by about eighty die-hard National extremists, and on the other by more than fifty Communists, equally die-hard Internationalists of the Moscow variety. About 130 determined non-coöperators in a house of 491 containing all the other hues of political coloring is a constant threat to "public safety and order." If their number were raised to 200, as might happen, parliamentary action would become extremely difficult. There may be a repetition, under such circumstances, of what happened in 1924, after the acceptance of the Dawes Plan, when a radicalized parliament was dissolved after a few months of fruitless zig-zag. The irresponsible rocking of the ship of state with which the radical elements had amused themselves during this time had sufficed to show the voters that more responsible groups should be put into power.

In such conditions, Germany might well be congratulated for the wisdom of its constitution-makers, who included in their fundamental charter provisions which enable a responsible minority to tide the country over a temporary impasse, if it has the backing of a constitutionally elected President and a permanent civil service of high excellence and proven loyalty to the state. The advantage of such an arrangement to Germany is shared by those who deal with her internationally. For the obligations of the country and its government are safeguarded by such a flexible constitution. Truly benevolent despotism of this sort forestalls internal chaos and a complete breakdown of the government, particularly when it is placed in the hands of a man who has grown old in unswerving loyalty and service to his country.

THE MINERAL POSITION OF THE NATIONS

By C. K. Leith

THE relative positions occupied by the nations of the world as regards the possession of mineral wealth can be concisely stated in statistical tables, and in the short period since the war these have become available for most of the world for the first time. Few people, however, care to take the time or have the technical background to interpret such tables. We shall therefore summarize the situation qualitatively in the hope of making a readable story. Many qualifications and details must necessarily be eliminated.[1]

By what mineral standards should nations be ranked? What minerals, out of the very long list of those entering into commerce, are essential to large industrial development or to the maintenance of agriculture?

First in importance, clearly, stand the mineral fuels and iron ore. The industrial position of a nation may be very well gauged by its consumption of power, which in turn is a function of the use of machines and fuels. Consequently, it is hard to overemphasize the importance of iron products, out of which machines are made, and of the mineral fuels which propel them. In 1928 the value of the world's pig iron production was three and a half times that of gold, and that of fuels was thirteen times as great.

Second in importance is the group of copper, lead and zinc used in commerce in large bulk. With these should probably be ranked the fertilizer group of minerals — phosphate, potash, and nitrate (natural or synthetic), together with sulphur, used so largely in preparing fertilizers as well as in a vast range of manufacturing and refining operations.

No other mineral groups are so vital to national power and welfare as the foregoing, though others may of course constitute valuable assets. Industrial power cannot be built up on gold and silver. There is a long list of minerals used in minor quantities in the making of iron and steel, including nickel, manganese, chromite, fluorspar, vanadium, tungsten, and others. No one of these

[1] Cf. "World Minerals and World Politics," by C. K. Leith, to be published shortly by McGraw-Hill Book Co., New York.

minerals and no combination of them is a basis for industrial development. Because of the relatively small quantities needed, they may be transported from far parts of the world to the industrial centers. Access to such minerals is necessary to countries with heavy industries, and their control is a matter of international concern. Much the same remarks can be made about asbestos, mica, mercury, graphite, antimony and tin. The mineral standing of countries can therefore be ranked principally on the basis of the two groups named in the two preceding paragraphs.

A well-balanced supply of the vital minerals affords a firmer basis for industry than the possession of one or a few of them in very large amounts. Countries possessing the secondary minerals must be given a lower ranking on the ground that no combination of these minerals will yield industrial power and that they will be tributary to the industry based on the first two groups. Experience has shown that the commercial advantage accruing to the country of origin is far less than that gained where the minerals are consumed as well as possessed.[2]

THE UNITED STATES

From almost any point of view the United States is the outstanding mineral country. It is the largest owner, the largest producer, and the largest consumer of minerals. In all three ways the United States accounts for about 40 percent of the world's totals — for some minerals, of course, much less than this, for others more. It is the only country in the world possessing adequate quantities of nearly all the principal industrial minerals and leads the world in the production of coal, oil, natural gas, iron, copper, lead, zinc, aluminum metal, phosphates, gypsum and sulphur. It also leads in the production of some minor minerals — arsenic, borax, cadmium, molybdenum and talc. Nowhere else are the principal minerals grouped in such adequate quantities.

The output of energy in the United States from coal, oil, natural gas and water power amounts to nearly half of the world's total. As the total power available from man and beast is insignificant in comparison, it is not far out of the way to state that the United States today is actually doing nearly half of the world's

[2] This discussion makes no reference to water, which from some points of view should be put at the head of the mineral list. Its story, however, is a separate one. Water is an environmental factor, like soil, climate and geography, influencing all human activities.

work. For a long time in the early stages of the industrial revolution Great Britain held a preëminent position in the output of energy. In 1870 it was releasing about three times as much energy as the United States. Now the ratio is reversed, the United States producing three times as much as Great Britain. The two curves of production crossed about the opening of the century, but the significance of the crossing was hardly realized at that time. In fact, even now it is common to assume that this country owes much of its commercial prominence to the war, without taking into account the fact that energy output (which is one of the truest measurements of wealth) has been rising on a generally predictable curve for the last sixty years, regardless of war and financial disturbances.

The only minerals available in the United States in large quantities for export are coal, phosphates and sulphur, but if we add the minerals which it controls commercially in other countries, we may say that in addition the United States exports copper, oil, zinc and silver.

Notwithstanding its highly favored position, the United States depends almost entirely on foreign sources for several important minerals: antimony, chromite, manganese, nickel, tin, asbestos, bauxite, nitrates, platinum and potash; and it is very largely dependent on foreign sources also for mercury, tungsten, barite, china clay, fluorspar, graphite, magnesite, mica and pyrite. There are some supplementary imports of certain of the minerals — iron ore, for instance — which the United States possesses in adequate amounts, for the reason that delivery from abroad may be cheaper to certain plants than delivery from domestic points.

Looking into the future and taking account of increased consumption and diminishing sources of supply, we may conclude that before very long it will be necessary for us — to meet our own needs alone — to draw on the rest of the world for increasing quantities of oil, copper, iron, lead and a number of other minerals which we use in smaller quantities. The only fertilizer minerals which the United States possesses in adequate quantities are phosphates and sulphur. As yet the United States is dependent on Chile for much of its nitrate, but this dependence is being reduced with the development of the synthetic nitrate industry. Potash is now imported from Germany and France to the extent of about five times the domestic production, but the

development of the latter is increasing. Especially notable is the deficiency of the United States in some of the common ferro-alloy minerals necessary in the making of steel, particularly manganese, chromite, nickel and vanadium. These are in the list classed as "key" minerals in war time.

It is natural that a mineral industry as large and thriving as that of the United States should undertake mineral exploitation in other parts of the world. The political or national considerations which often lead other countries (particularly Great Britain) to make this effort are secondary influences with the American mineral industry. It is primarily a question of commercial demand and profit. Among the important minerals outside of the United States in the control of which American commercial interests share are: copper in Chile, Peru, Canada and Rhodesia; vanadium in Peru; tin in Bolivia; iron ore in Cuba, Chile and Brazil; oil in Mexico, Venezuela and other South American countries, in the Dutch East Indies, and in Mesopotamia jointly with Great Britain, France and the Netherlands through the Turkish Petroleum Company; zinc in Canada, Newfoundland, Mexico, Peru and Poland; asbestos in Canada; gypsum in Canada; manganese in Brazil; chromite in Cuba, Canada and Brazil; aluminum in British and Dutch Guiana and in Europe. American activity in the acquisition of minerals outside the boundaries of the United States is on the increase. By far the larger part of the world's exploitation of mineral resources is now in the hands of the United States and Great Britain.

CANADA

Canada produces almost all the world's nickel, and exports susbtantial quantities of gold, silver, lead, copper, zinc, asbestos, cobalt and gypsum. Formerly it largely monopolized the asbestos market of the world, but is now giving way to South Africa as regards the higher grades. It lacks, in whole or in large part, iron ore, oil, tin, nitrates, potash and most of the ferro-alloy minerals. Its principal weakness is the absence of iron ore; the imports of iron ore and iron and steel products into Canada each year are about equivalent to the country's entire mineral production. Canada also imports nearly all of its oil. About half of its coal is imported, not because it does not possess coal — its reserves are very large — but because much of the developed coal is not of the best grade and is located principally in Alberta and Nova Scotia,

whence the cost of transportation to the principal consuming centers in Ontario is larger than the cost of importing coal from the United States. A larger use of domestic coal is to be expected in the future. Canada's total mineral production is about 4 percent of that of the United States, and its production of the non-ferrous metals is about 28 percent of that of the United States.

Canada is of special interest in that it contains one of the world's largest mineralized areas, as yet undeveloped. Exploration is going on here on a larger scale than almost anywhere else in the world, and discoveries are relatively frequent. The best outlook seems to be in the field of non-ferrous metals; there is comparatively little promise of improvement in the oil and iron ore situations. Copper and platinum, now being developed in the Sudbury nickel mines, will be important factors. Very little Canadian capital goes out of the country for mineral exploitation, but nearly half of the country's own production is controlled commercially by the United States and Great Britain.

The Canadian Government is taking an increasingly active part not only in exploration but in the mineral industry. A strong effort is being made to build up Canadian smelters and manufactures with a view to changing the position of the country from that of contributor of raw materials to one of industrial independence. The situation is of special interest from a world standpoint because of Canada's position between the two great exploiting countries of the world — the United States and Great Britain — which are in active competition to acquire her minerals. The question as to who will ultimately control them affords a good illustration of the general world problem.[3]

MEXICO

Mexico's mineral consumption is small and a considerable part of all the minerals mined in the country is available for export. She is the principal silver producer of the world, and makes important contributions also in oil, lead, zinc, gold, copper, antimony, arsenic and graphite. For a time she was second in the world in oil production, but failed to conduct explorations to keep up with production.[4] Coal is lacking in adequate amounts and good grades. Iron ore exists in scattered deposits of con-

[3] Cf. "Canada's Minerals and Their International Implications," by C. K. Leith, *Mining and Metallurgy*, October, 1929, pp. 463–467.

[4] Venezuela has now taken second place in oil production.

siderable size, but is not likely to be utilized for some years because the geographic distribution is not convenient and because the grade is not particularly desirable. Under these circumstances there is little chance for large industrial development. Further discoveries are likely in the group of non-ferrous minerals.

Mexico's minerals are dominated by outside capital, principally American and British, and in general serve as feeders to the established mineral industries of these two countries.

SOUTH AMERICA

South America has a very small consumption of minerals, and practically all those produced go to the principal industrial centers of the North Atlantic countries. Nowhere in South America is there a combination of essential minerals such as is necessary for great industrial development. The greatest lack is coal. Only in Chile, Peru, Brazil and Colombia are there coal reserves, and these are of such low grade that they are not suitable for important use. Mineral output is in many scattered units, not integrated with one another, but with North Atlantic industries.

Among the most important of the South American minerals is Chilean nitrate. Indeed, Chile is almost the world's exclusive source of natural nitrate. Copper is exported in large quantities from Chile and Peru. Peru has the largest and best vanadium deposit of the world, and also contributes lead and silver in minor amounts. The production of oil is important in South America and is gaining rapidly. At present Venezuela is second only to the United States in its oil production, but there are important contributions also from Peru, Colombia, Trinidad, Ecuador and Argentina. It is expected that these will increase as exploration and development proceed. Iron ore exists in important amounts in Brazil, and in smaller scattered deposits in Chile, Venezuela and elsewhere. Iron ores from Chile are now being shipped to the United States, and in the near future will be exported to North Atlantic points from Brazil. Other minerals being produced on a world scale by various South American countries include the tin of Bolivia (23 percent of the world total), platinum from Colombia (28 percent), bauxite from the British and Dutch Guianas (25 percent) and manganese from Brazil (8 percent).

Nearly all of the South American governments are making an effort to tighten their hold on mineral resources, as a defensive

reaction against the exploitation of their countries by United States and European capital, but there is no indication that the effort can anywhere result in complete independence. South America as a whole is likely to remain essentially a feeder of raw materials to the great industrial centers of the world.

ENGLAND AND THE BRITISH EMPIRE [5]

Great Britain is the great competitor of the United States for the control of the world's minerals, but within its own boundaries it has supplies of only a few of them. It almost completely lacks aluminum, antimony, chromite, copper, manganese, mercury, nickel, tungsten, zinc, asbestos, graphite, magnesite, mica, nitrates, petroleum, phosphates, potash, pyrites, sulphur, talc and soapstone. It has less than adequate quantities of lead, tin, barite and gypsum. Of the few minerals it possesses, only coal, fluorspar and china clay figure largely in export. The iron ore, while abundant, is of low grade and even for domestic consumption must be supplemented by the importation of high grade ores to the extent of nearly half (in metallic content) of the local production. British coal, by virtue of its high grade, its proximity to the coast, and the fact that Great Britain is so largely a maritime nation, has in the past figured more largely in international trade than any other mineral commodity. For a long time it made up about two-thirds of the total tonnage of British exports, and was therefore the principal balance for the necessary large imports of other raw materials. England still leads the world in its export of coal, but it is losing its preëminent position because of increased competition from without and increased cost at home.

If all the mineral resources of the British Empire were considered as a single group the combination would be a very strong one, probably superior to that presented by the United States. It would lack only such minor minerals as antimony, potash, mercury, sulphur, talc, soapstone, nitrates, barite and magnesite; and its oil resources might be inadequate. A notable fact is the British Empire's commercial control of more than 70 percent of the world's gold production. It produces more than 43 percent of the world's tin, and through smelters and refineries commercially controlled by its nationals handles slightly more than 80 percent of the world's total.

[5] Canada, Australia and Africa are discussed under separate headings, but a general view is here given.

CONTINENTAL EUROPE

If all the mineral resources of continental Europe were pooled they would rank in variety and abundance with those of the United States. There would still be deficiencies in copper, lead and zinc, which the United States has in abundance. On the other hand, Europe has supplies of potash, mercury and manganese, which are missing in the United States. Like the United States, it must go to other parts of the world for its tin, nickel and nitrates. The minerals of Europe are handicapped in competition with the United States by the fact that they are divided among many small competing commercial organizations and by the political barriers (particularly tariffs) set up in the way of their common use. Pooling of interests in one form or another is here and there bringing together the mineral industries of the various countries, and the process is likely to go further. A notable instance is the rapid advance of the European iron and steel industry through mutual understandings and coöperative arrangements. It is interesting that the post-war tendency in Europe has been to restore the pre-war functioning of industries based on natural groupings of raw materials, regardless of new political lines.

The great part played in human history by the Mediterranean peoples has led in some quarters to the hope of their rejuvenation along western industrial lines. But whatever advances may be made in other fields of activity, as regards mineral resources there is nothing in this entire region that promises anything like the industrial development of middle Europe and the United States. Especially notable are its deficiencies in coal and iron, to say nothing of many other important minerals. Whatever advances are made in the future must be on lines other than those of the great industrial revolution based primarily on adequate mineral supplies.

Let us now take up some of the principal countries of Europe more specifically.

France. Within its own boundaries France has large quantities of bauxite (aluminum ore), iron ore, gypsum, potash (Alsace), talc and soapstone, but is preëminent only in the production of bauxite. It almost completely lacks asbestos, chromite, copper, lead, manganese, mercury, nickel, tin, tungsten, zinc, graphite, mica, nitrates, petroleum, magnesite, fluorspar and sulphur.

Furthermore, domestic supplies must be largely supplemented by imports in the case of antimony, barite, china clay, coal, phosphates and pyrite.

The outstanding deficiency from the industrial standpoint is the limited supplies of coal of a proper coking grade, and of oil, copper, lead and zinc. The deficiency in iron ore has now been made up by the acquisition of Lorraine. French capital has purchased the majority of the properties owned by Germans. Efforts to secure supplies outside the boundaries of France have been largely confined to the French colonies and mandates. In this way France has acquired an exportable surplus of chromite and nickel from New Caledonia, graphite from Madagascar, and phosphates from North Africa, and has made up part of its deficiency in lead, iron, manganese and zinc from North Africa.

Germany. Within its own boundaries Germany has an abundance only of non-metallic minerals — coal, barite, fluorspar, gypsum, nitrates and potash. Coal and potash are the outstanding assets. Germany's potash is almost a world monopoly, and her coal is the basis of her great industrial development, principally in the Ruhr valley. Germany needs large supplementary imports of copper, iron, lead, china clay, graphite, mica, talc and soapstone. The minerals which are almost completely lacking make a formidable list — bauxite, antimony, chromite, manganese, mercury, nickel, tin, tungsten, zinc, asbestos, magnesite, petroleum, phosphates, pyrite and sulphur. There is some possibility that exploration now under way will supply the deficiency in oil. No other large industrial nation has so small a control of essential minerals either at home or abroad.

Notwithstanding Germany's many mineral deficiencies, its possession of coal and iron enabled it before the war to build up an iron and steel industry second only to that of the United States, and through its smelting, refining and manufacturing capacity to exercise a considerable control on the flow of world minerals. As a result of the war it lost all but an insignificant part of its iron ores, its principal lead and zinc ores, and an important but not the larger part of its coal. Also, its commercial control over zinc ore from Broken Hill, Australia, was disrupted and this flow of zinc was deflected to England and Belgium.

Since the war Germany has started with its usual energy and skill to restore its manufacturing and smelting enterprises on the basis of foreign supplies of minerals. Already the pre-war scale of

importation has been reached or surpassed for antimony, asbestos, bauxite, chrome ore, copper, gypsum, iron ore, nickel, pyrite, quicksilver, sulphur and tin. Importations of lead, manganese and zinc, however, are still far under the pre-war scale. It is an interesting question for the future whether the possession of coal, together with manufacturing plant, organizing power and enterprise, will be sufficient for Germany to overcome her deficiencies in raw materials. Production of pig iron and steel is now approaching pre-war figures. In 1923 and 1924 France, including the Saar, surpassed Germany in pig-iron production and has almost equalled Germany since. In those years it also almost equalled Germany in steel production, but since then has fallen behind relatively. The center of gravity of the great iron and steel industry of western Europe is shifting back to Germany, and the shift will be more obvious when the Saar is returned. In all steel industries the supply of coking coal has determined the center of manufacture.

The first and most important step in German rehabilitation is now being taken, namely, the reaching of commercial and political agreements with France and Poland to restore the efficiency of the industries based on the resources formerly controlled by Germany. The Lorraine iron ore and the Ruhr coal, with the complementary German and French smelting and manufacturing plants, constitute a great natural unit, the dominant industry of western Europe, no part of which can be operated to best advantage without the rest. Much the same is true of the German-Polish zinc industry. World competition is forcing coöperation, and this requires the lowering of political barriers.

Belgium. The only minerals found in quantity within the boundaries of Belgium are iron, barite, coal and phosphates, and these exist in amounts inadequate for domestic needs and must be largely supplemented by imports. Belgium's commercial control outside its boundaries has mainly involved copper, cobalt and tin in the Congo. Through its possessions in the Congo and its domestic reduction facilities, Belgium is becoming self-sustaining in tin and is materially increasing its exportable surplus. Through its activities in smelting zinc ores from foreign sources it has made itself the world's principal exporter of zinc metal and the principal broker in the world's zinc market.

Spain. Spain has an exportable surplus of copper, iron, lead, zinc, manganese, mercury and pyrite, and adequate amounts for

its own use of tungsten, barite, fluorspar, graphite, gypsum, talc and soapstone. Its domestic consumption is small. Its iron ore production is dwindling. Together with Italy it produces most of the world's mercury. For the rest, its minerals are in inadequate amounts or entirely lacking. Vital deficiencies are coal and oil. British capital dominates most of the Spanish minerals.

Spain's only effort to develop minerals outside of its boundaries is in Spanish Morocco, and even there this activity is left largely to other nations. Iron ore is its principal development thus far.

Italy. Italy has an exportable surplus in aluminum, mercury, zinc, barite, graphite, sulphur, talc and soapstone, but its only world leadership — that in mercury — is shared with Spain. Its reserves of iron, lead, fluorspar, gypsum, potash and pyrite are sufficient for its own limited use. Other minerals are entirely lacking or are present in inadequate amounts.

The Italians are not active in exploration for minerals, though they now are putting forth some effort in their own colonies in North Africa. There is evidence that the present Italian government is giving much more attention to this subject than formerly.

Sweden and Norway. Outside of large quantities of high grade iron ore in Sweden, of great importance to the future of the European steel industry, the Scandinavian countries do not possess minerals of great consequence in the world perspective. Their nationals show little activity outside their own boundaries.

Russia. Russia has a large exportable surplus of platinum, manganese and petroleum. Together with Colombia it now dominates the world's platinum market. It exports about 8 percent of the world's graphite and a small amount of coal. Its supplies of coal, iron, pyrite, gold, asbestos, salt and chromite are adequate for domestic consumption. Copper, lead, zinc and other minerals are known in minor amounts. The vast extent of Russia's unexplored country, together with her low consumption of minerals, make it difficult to appraise her future position in world mineral production. Production is rapidly increasing under the Five Year Plan, but as yet there is little indication of developments in excess of its own growing needs, except for the minerals now exported.

AFRICA

Africa's outstanding contributions have been the gold and diamonds of South Africa, both of which dominate the world pro-

duction. Rhodesia produces about half of the world's chromite. In addition, there are reserves of copper in the Congo, lead and zinc in Algeria, tin in Nigeria, manganese in the Gold Coast and Egypt, phosphates in Tunisia, Morocco and Algeria, and graphite in Madagascar. Coal and iron in considerable amounts seem to exist only in South Africa, where there is promise of a self-sustaining iron and steel industry sufficient to meet local needs. Smaller iron ore supplies exist in Tunisia, Algeria and Morocco, where they are mined for export. Still others are reported from various sources, but none of them are known to be important. Oil production is now confined to Egypt, and Africa as a whole does not yet promise large production for the future. Copper development in the Congo and Rhodesia, however, is coming forward rapidly, and it is not impossible that this may prove to be the world's largest future source of copper. Other developments anticipated for the future are increases in the production of manganese in the Gold Coast and South Africa, of tin in Nigeria, of chromite, asbestos and platinum in South Africa, and of graphite in Madagascar.

The minerals of Africa are dominated by British and European capital, and American capital figures largely only in the case of the Rhodesian coppers. Local consumption being insignificant, all minerals move toward North Atlantic industrial centers. Africa, like Canada and South America, is the battlefield of competing exploitation by North Atlantic interests. Most of the continent, unlike South America, is controlled politically by the same countries from which the forces of exploitation originate, and there are many interesting political aspects of the competition for the control of raw materials.

AUSTRALIA

Australia produces a considerable variety of minerals, but none of them figure largely in world production except lead, zinc, gold and silver. Formerly it was a larger producer of both gold and silver, but its output has now fallen off. It is dependent on outside sources for its petroleum. Coal and iron exist in adequate amounts, and the iron and steel industry of New South Wales is approaching a position where it can take care of Australian requirements. Iron ore is being exported to Japan. Australian minerals are largely controlled by English capital, but the Australian Government is taking active steps to make the country industrially independent and to divert its minerals to its own industries.

THE FAR EAST

It is a common belief that large undeveloped mineral resources exist in the Far East, but this is hardly justified by the facts. In discussions of the "challenge of Asia," the "awakening of the Far East" and the "yellow peril" there is usually either an expressed or concealed assumption that the mineral resources are there to serve as the basis for an industrial development when the time comes. This assumption has been questioned by mineral specialists who, from various studies, have agreed that while important deposits exist, they are of a variety and are so distributed that they seem to offer little chance for a large industrial development.[6]

The Far East produces a rather imposing aggregate of minerals, although it is far short of the total produced either in the United States or in Europe. However, the sources are scattered among so many nations that they do not constitute an adequate basis for independent industrial development. Local consumption is small. A very large part of the mineral production of the Far East therefore flows toward the North Atlantic and is controlled by the industries of that region.

China meets the largest part of the world's requirements for two minor minerals, tungsten and antimony, and also produces an appreciable amount of tin. Lead, zinc, tin, tungsten, oil and silver are contributed by Burma, but only to a minor extent on the world scale. Japanese copper production meets the local demands, but the iron ores are inadequate. Manchuria produces small amounts of coal and iron. The Malay Peninsula and adjacent parts of the Dutch East Indies dominate the world's tin production, with 55.6 percent of the total. The Dutch East Indies contribute 2.6 percent of the world's petroleum. India holds first place in the world's production of high grade manganese ore with 35 percent, and of sheet mica with 65 percent. Something less than 6 percent of the world's gold comes from India, Korea, Japan, China, and the East Indies.

The key to the industrial situation is the question of coal and iron. Japan, with the best organization and industrial development and with the highest consuming power, has little coal and

[6] "Ores and Industry in the Far East," by H. Foster Bain, Council on Foreign Relations, New York, 1927.
"The Mineral Resources of the Far East," by C. K. Leith, FOREIGN AFFAIRS, Vol. 4, No. 3, pp. 433–442.

Metals and Their Ores	UNITED STATES				GERMANY				FRANCE				UNITED KINGDOM				JAPAN				BELGIUM				ITALY				SPAIN			
	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D
Aluminum		●		●				●	●			●	★			●				●				●	●							●
Antimony				●				●			●				★	●				●				●			●			●		●
Chromite				●				●	★			●	★			●			●					●				●				●
Copper	★	●					●					●	★			●		●			★			●				●				
Iron		●					●		●			●	★	●					●				●			●			●			
Lead		●					●			★		●	★		●					●				●		●			●			
Manganese			★	●				●				●	★			●			●					●				●				
Mercury			●					●				●				●				●				●	●							
Nickel				●				●	★			●	★			●				●				●				●				
Tin				●				●				●	★		●					●				●				●				●
Tungsten			●					●				●	★			●				●				●				●				
Zinc	★	●						●		★		●	★			●		●						●	●				●			●
Non-Metals																																
Asbestos		★		●				●			●		★			●				●				●			●					●
Barite			●		●						●			★	●					●			●		●				●			
China Clay			●				●				●		●					●						●				●			●	
Coal	●				●						●		●				★		●				●		★			●			●	
Fluorspar			●		●							●	●						●					●		●			●			
Graphite			●				●		★			●	★			●	●			●				●	★				●			
Gypsum		●			●				●				★		●			●						●		●			●			
Magnesite			●					●				●		★		●				●				●			●					
Mica			●				●					●	★			●	★	●						●				●				●
Nitrates				●	●							●	★			●				●				●				●				●
Petroleum	★		●					●				●	★			●			●					●				●				●
Phosphates	●							●	★		●		★			●			●				●					●				●
Potash				●	●				●							●				●			●				●					
Pyrites			●					●			●		★			●		●						●			●				●	
Sulphur	●							●				●				●	●							●	●						●	
Talc and Soapstone			●				●		●							●			●					●					●			

A, Minerals available in large quantities for export. B, Minerals adequate to meet domestic demands without appreciable excess or deficiency. C, Minerals inadequate to meet domestic demands, the country in question being partially dependent on foreign sources. D, Minerals for which the country in question depends almost entirely on foreign sources.

iron within its own boundaries, and is attempting to make up its deficiency by the development of coal and iron in Manchuria. The coal supply is large, but not of the best grade. The Manchurian iron ore is extremely low grade and requires beneficiation. Commercial success is as yet doubtful. In the meantime Japan has brought in iron ore in small quantities from Korea, China, Malay, and now from Australia. China has plenty of high grade coal, but insufficient iron ore; she has other industrial minerals in adequate amounts. India has an abundance of high grade iron ore but only a limited supply of coal of proper coking quality. The Philippines and the Dutch East Indies have large reserves of medium grade iron ore of a mineral content which causes difficulties in smelting, but they have no large amounts of coking coal. If the coal of northeastern China could be brought together with the high grade iron ores of India and possibly with the iron ores of the Philippines and the Dutch East Indies, a large industrial advance might be possible. The distances might not prove insuperable obstacles in these days of improved transportation. Iron ore is now being moved from Australia to Japan and from Chile to the United States, and there are many other examples of long distance hauls of minerals in great bulk. But the political difficulties involved are not likely to be surmounted for a long time to come.

The rôle of the Far East is therefore likely to remain essentially that of a contributor of a few minerals from scattered sources to the North Atlantic industries. Nevertheless, it should be noted that the pooling of the mineral resources of all the Far East, such as they are, would probably do more toward the physical betterment of the Far Eastern peoples than any other commercial measure now in sight. Commercial interests are already studying the problem, and are even making moves toward coöperation. On the other hand, the political movement just at present is toward disintegration.

THE SITUATION REVIEWED

The table[7] on the opposite page summarizes graphically the position of some of the consuming countries with reference to the principal minerals. The black circles indicate by their position the extent to which the country in question is able to supply its needs

[7] Adapted from Charts 1 and 2, "Mineral Raw Materials," by J. W. Furness and L. M. Jones, *Trade Promotion Series*, No. 76, Bureau of Foreign and Domestic Commerce, U. S. Dept. of Commerce, 1929, pp. 4–7.

of the mineral in question from within its own political boundaries; stars are used to indicate that the status of the country is improved when minerals under the commercial or political control of that country, but situated outside its boundaries, are included with the domestic resources. Some of the salient points revealed are as follows:

1. The United States occupies a prominent position both as a consumer and producer of minerals from within its own boundaries and as an active agent in mineral exploration and production in other countries.

2. Second in importance is the United Kingdom. It holds its position not by virtue of the minerals within its boundaries, but by its wide financial control in other territories, particularly in the British Empire. United States and British capital together control fully three-fourths of the world's mineral resources.

3. Third stands western Europe, if we consider it as a unit. No single European country has an outstanding group of mineral resources.

4. No other countries or groups control mineral supplies adequate for industrial development on a corresponding scale, notwithstanding their possession of large supplies of particular minerals. Such minerals as they have are mostly controlled by capital of North Atlantic countries and serve in the main as feeders to the industries of those countries. South Africa, Russia and Australia are the only outlying regions which have minerals adequate to permit the growth of independent industries. Asia has a possibility for industrial development if its widely scattered resources could be operated under unit control.

5. Exploitation of the world's minerals emanates from the industrial centers of the North Atlantic. In regard to mineral supplies there is no such thing as equality of nations. In so far as such supplies have contributed to the political and financial dominance of the North Atlantic countries in the past, there is no marked change in sight for the future.

6. Finally, not even the most favored nation is entirely self-sustaining in minerals, nor can it be made so. The interdependence of the nations and specialization in mineral production have been determined once and for all by nature's distribution of minerals.

THE MATCH STICK COLOSSUS

By J. F. Deck

SWEDEN has long been known to many of the widely scattered millions of the rest of the earth only because she supplied a large share of the world's needs for a very humble and commonplace commodity — the match. As early as 1870 Sweden was exporting annually some 6,000 tons of her matches to other countries. By the turn of the century the figure had risen to 16,000 tons. It was 35,000 tons in 1913, just before the outbreak of the World War. It is 50,000 tons today. No other country has ventured on such a vast production of matches, nor can any other boast an export trade in this commodity even approaching Sweden's.

The match was not invented in Sweden, but it was most brilliantly perfected there, and successfully turned to commercial exploitation. The Swedes have been skilful in adapting themselves to the widely varying demands of the different markets. If their product did not encounter artificial obstacles such as protective tariffs and other political restrictions it is quite conceivable that the match factories now existing in Sweden might expand in a relatively short time so as to supply, efficiently and cheaply, the demands of the entire world. But, as we shall see, conditions in the world market are not so simple.

Several years ago Americans came to the conclusion that the export of their products could best be furthered by the merger of various producers into large corporations. The stipulations of the Sherman Act were recognized as being out of date. The same fact was perceived by the Swedish match producers long before the war. They realized that most of their output went abroad, and that their interests were not furthered by the multiplication and competition of agents of different concerns. Accordingly, as early as 1903 six Swedish factories merged with the Jönköpings-Vulcan Match Manufacturing Company, and several other enterprises were annexed in the years following. The success of this merger, reflected in increased earnings, induced those companies which were still independent to combine (in 1913) in a rival organization — the United Swedish Match Factories Corporation. This latter initiative came from Mr. Ivar Kreuger, under whose energetic leadership the new corporation made relatively greater progress than the older Jönköpings-Vulcan. But since the supplies of poplar wood (aspen) and chemicals for the manufacture of matches were seriously affected by the war, competition between the two companies became more and more costly; it was finally brought to an end in 1917, when they merged in a holding company, the Swedish Match Company.

This time, too, the initiative and leadership came from Mr. Kreuger, who became the new company's head. In him, indeed, the industry obviously found the guiding hand it needed. The words "Kreuger" and "match" soon became synonymous terms in Sweden. Ivar Kreuger was not originally in the match business. He was, to be sure, the son of a match manufacturer and therefore from early days in close touch with the industry and its peculiar problems, but his profession was that of construction engineer, and for some time after his graduation he was active as a builder. He received his technical training not

only in Sweden but also in the United States, England and Germany, and thus early became acquainted with the business and financial methods of the countries furthest advanced in industry and trade. After the war he turned to big finance. His methods are those of the great American financiers, and he has a special gift for adapting their methods to the very complicated political and commercial conditions prevailing in Europe and the rest of the world. However, it is only in terms of personality that the Swedish match combine is to be regarded as Mr. Kreuger's creation, for the best inspirations of great captains of industry cannot materialize unless circumstances are propitious.

Broadly speaking, the World War enriched America and impoverished Europe. But this "impoverishment" of Europe must not be understood too literally. It was the belligerent countries that suffered especially. The neutral states were by no means ruined. During the war years their prosperity probably did not increase as notably as would have been the case in normal times; but it increased, nevertheless, and especially when compared to the greatly diminished prosperity of the countries directly involved in the war.

Sweden was one of the neutral countries; and she had some of the same advantages as the United States — great wealth in natural resources, especially wood, iron ore and water power. She was the first European country to stabilize her currency: as early as the last quarter of 1922, the Swedish krona again stood at par on the international exchange, from which position, for that matter, it had never greatly depreciated. Once the gold standard had been virtually restored, capital resources began flowing again through normal channels, which was a great advantage over most other European countries, where the exhaustion of surpluses and the inflation of paper currency threw all economic concepts and values into chaos. At that time, anyone possessing a clear insight into the obscure facts of inflation and also a certain amount of ready money was in a position to realize great profits. Mr. Kreuger possessed this insight, and he also knew how to raise the funds required for the expansion of the interests under his control. His investigations covered the whole world.

During the past three or four years, Mr. Kreuger's policy of expansion has been pursued at a gallop and hence has caused some worry as to how he might weather an economic crisis. Only the head of the concern could know the effective strength or weakness of the foundations on which he had grounded his company's far-flung and — it seemed to outsiders — unmanageably huge interests. Since the great crisis on the New York Exchange last autumn, however, we are much better informed as to how things stand. Of the eight big Kreuger securities, the four most important are listed in New York: the preferred stock and the 5 percent gold bonds of the International Match Corporation (the big American subsidiary of the Swedish Match Company), and the partial debentures and the 5 percent gold bonds of the Kreuger and Toll Company (the great holding company of the combined Kreuger interests). In the autumn crash the International Match preferred and the Kreuger and Toll debentures were hard hit, and their drop naturally depressed still further the shares of the Swedish Match, which had already fallen in value. But these three securities made a powerful recovery, especially after the increased dividend declared on International Match shares for the last quarter of 1929. This could not have been more deftly timed.

I have space in this article to sketch the expansion of the Kreuger enterprises only in general outline. The various steps furnish an interesting example of the growth of a so-called "international trust." Backed by very substantial credit from Swedish banks, Mr. Kreuger first succeeded, just after the war, in getting possession of a whole series of foreign match factories on very favorable terms. As the Swedish money market was then pretty well exhausted, Mr. Kreuger from 1922 to 1924 strove to gain access to the great supplies of capital in England and the United States, and by successfully floating stocks, debentures and bonds he gradually assembled funds for the further consolidation of his interests. In the years following he similarly tapped the capital resources of Holland, Switzerland, France and Germany. Thus a great enterprise, originally working with purely Swedish capital, gradually advanced throughout the whole world, using foreign capital at each step of its progress. Meantime the enterprise has remained Swedish both in leadership and in fact, a result achieved by giving the shares of original ownership far greater voting power than the shares sold abroad. In the Kreuger and Toll Company, for example, the so-called "A" shares have a full vote, while the "B" shares have one one-thousandth of a vote; so that 10 million kronor in the "A" shares have 100,000 votes, while 66 million kronor in the "B" shares have only 660 votes!

How Mr. Kreuger obtained almost limitless international credit so readily and so effectively seems a riddle. However, the reputation of the Swedish safety match was in itself an excellent letter of recommendation. There was something else more important still, the principle "Live and let live!" It is easier to formulate than to apply, but Mr. Kreuger applied it, methodically, broad-mindedly. Financiers abroad who took an early interest in his schemes made a good thing of it. The earnings came not so much in cash dividends, for Mr. Kreuger's policy has always been cautious and of late almost niggardly, but rather in stock dividends — prospects, that is, of future earnings on new stocks and debentures. For example, anyone who held Kreuger and Toll paper toward the end of 1926 must by now have collected from 20 to 25 percent on his investment, what with dividends and stock dividends. (Of course, those who came in later, at top prices, had a different experience.)

This is not the full story, however, of the development of the Kreuger enterprises. In many countries of Europe, and even abroad, matches constitute a favorite source of public revenue and are often a state monopoly. Most of the states which tax matches were greatly in need of capital in the years after the war. To countries which needed ready money and possessed match industries which the Swedish Match Company desired to annex, Mr. Kreuger suggested substantial loans in exchange for concessions of the monopolies for the manufacture or sale of matches, or both. Not only did the countries in question get ready money, but also, in most cases, they began receiving larger revenues from the match tax. The company has so far struck bargains of this kind (the terms varying) with nine European states: Poland, Estonia, Latvia, Hungary, Jugoslavia, Rumania, Greece, and more recently Germany (1929) and Danzig (1930).[1] There have also been three South American contracts, with Peru, Ecuador and Bolivia. In 1924 the company came within an ace of securing the

[1] Since this was written, concessions have been acquired in Lithuania, providing for a loan of $6,000,000 and in Turkey, providing for a loan of $10,000,000.

French monopoly, the project failing only through the defeat of M. Poincaré's government. An agreement was later made with France, whereby the company becomes purveyor of match-making machinery, fancy matches, and raw materials to the French monopoly; it will also serve as adviser to the monopoly in the various stages of its reorganization.

In connection with these new-style contracts, the Swedish Match Company is supplying the states mentioned (except Peru) with loans to a face value of not less than 253 million dollars. About 94 percent of this nominal value — 238 million, that is — has actually been, or is to be, paid. When the full sums have been delivered, they will yield the company a yearly interest of some 15¾ million dollars, or about 6⅔ percent on the money actually paid. This takes no account of the probable substantial earnings of the monopolies themselves. The 253 millions, with interest rates between 5 and 8½ percent, are distributed as follows: Germany, 125 millions (of which 50 fell due on August 30, 1930, and the remaining 75 will be due on May 29, 1931); Hungary, 36; Rumania, 30; Jugoslavia, 22; Turkey, 10; Poland, 6; Latvia, 6; Lithuania, 6; Greece, 4.86; Estonia, 1.88; Ecuador, 2; Bolivia, 2; Danzig, 1. At the moment, however, only 210 or 220 millions of the total have been paid over. The loan to France of 75 millions, issued at 93½ percent, is being paid back before maturity at 103½ percent; this represents a 10 percent profit for the Kreuger concern.

These huge transactions in the loan market have naturally somewhat altered the character of the Swedish Match Company. It is no longer a purely industrial concern, but a sort of banking or investment enterprise, which sells its international credit to states in need of ready money and holds these loans on its books as investments. This policy was not a sudden inspiration on Mr. Kreuger's part. In 1911 he organized the Kreuger and Toll Company to deal in construction and allied enterprises in Sweden and abroad. Through its coöperation with real estate companies and mortgage banks, this company began operating as an investment concern, until it ended by becoming one altogether. It and its many subsidiary companies were Mr. Kreuger's instrument for exploiting the countless opportunities for speculative investment after the war. These must have proved very lucrative. At times they seemed to distract part of Mr. Kreuger's activity from the match industry; at any rate, the larger portion of the resources of the Kreuger interests are now involved in enterprises other than matches proper. The huge loans that have been made to various countries in exchange for concessions of match monopolies should perhaps be credited in part to these other interests rather than to matches alone, though it is hard to speak with certainty on this.

In addition to these monopoly loans, the Kreuger and Toll Company holds important blocks of other state bonds (especially French), which it must have acquired on very favorable terms, and also real estate shares and mortgage bonds and similar securities in Sweden and Germany. Furthermore, it holds not inconsiderable interests in various banks in Sweden, Germany, France, Poland, Switzerland and Holland. The most important of its known properties are its stock interests in the largest ore-producing company of Sweden (and, for that matter, of Europe), the Graengesberg Company; and in the great Swedish Woodpulp Company (the "Swedish Cellulose"), which the Kreuger and Toll concern organized last autumn, and which it will control in the future.

The Graengesberg Company occupies a leading, perhaps a controlling, position on the European iron market. It owns large iron fields in central Sweden, and, in conjunction with the government, works the huge mines in the north. It also owns interests in iron mines in Algiers and Morocco and holds options on mines in Algarroba, Chile. It transports its ore chiefly in its own vessels and, within Swedish borders, partly on its own railways. The invested capital of the Graengesberg and subsidiaries is estimated at about 120 million dollars. There are many thousands of stockholders, but the Kreuger and Toll concern and a subsidiary company, with stock to the value of 18 to 20 millions, has the controlling influence.

The Swedish Woodpulp Company owns forest areas of from 3 to 4 million acres in northern Sweden, and, as holding company, controls eleven other timber and pulp companies which operate in the north. Its invested capital is 80 million dollars, and its yearly production of timber (140,000 standards) and woodpulp (400,000 tons) has a sales value of some 30 millions. As the company supplies between 15 and 20 percent of the total Swedish export of timber and woodpulp, it is of no slight importance to the country as well as to the world market at large, especially in view of the fact that Sweden is the largest exporter of these commodities, supplying about 45 percent of the total world export.

Perhaps it might be more appropriate if the great enterprise directed by Mr. Kreuger were to choose the comprehensive title of the Kreuger Company, in preference to that of the Swedish Match Company, which really constitutes only one — though the most important — of its many activities. The present organization plan is as follows. The Kreuger and Toll Company is the kernel of all, and is controlled by Mr. Kreuger alone. This company, with its subsidiary companies, owns large blocks of stock in the Swedish Match Company and the International Match Corporation, and has large interests in the British Match Corporation. The Swedish Match Company is holding company for the two old Swedish manufacturing concerns, the Jönköpings-Vulcan Match Manufacturing Company and the United Swedish Match Factories Corporation. It has connections with the match industries in Finland, Switzerland and Czechoslovakia. It owns factories in India, Belgium, Holland, Japan, Portugal and other countries. The match monopolies mentioned above are perquisites of the Swedish Match Company and the International Match Corporation. The monopoly loans are held by the Kreuger and Toll Company, which has a further interest in the profits of the monopolies. The British Match Corporation owns factories in Great Britain, Ireland, Canada, Australia, New Zealand and Brazil.

Just how this international match business is distributed among the various companies is not known in all the details. On the other hand, the fourteen state monopolies are known; and it is known that the "match colossus" owns between 150 and 160 factories in thirty-five or forty different countries, employs some 60,000 clerks and workers in them, and virtually controls a large portion of the world's production of matches.

But it is not a question of a real trust monopoly. In countries where the company's position is in every respect monopolistic, that fact is due to the concession of such monopoly by the governments concerned, which are by no means bound hand and foot to the arbitrary will of the company in the exercise

of the monopolies. Furthermore, there are still several big "outsiders" in the United States, and several small "outsiders" in other countries. A very important "outsider" is the Soviet-Russian State Match Monopoly, which for some years past has been trying to create sharp competition for the Swedish Match Company abroad, though apparently with little success. There is a general impression that the real aim of the Russians has been to force the Swedish Match Company into some sort of a mutual agreement, conditioned, of course, by a substantial loan to Russia. Apparently it is another example of the same Russian export policy that was revealed in the struggle between the Russian Naphtha Trust and the Royal Shell Company. The Russians sought to intensify their pressure on the Swedish company by placing an embargo on the export of poplar wood, once regarded as indispensable for matches. But the Swedes, who had gained control of all the poplar in Estonia and Latvia in the course of negotiations for the match monopolies of those countries, were left untouched. They seem also to have taken other precautions to safeguard their supplies of chemicals and machinery by the formation of special subsidiary companies.

It is interesting to examine the policies of the Swedish Match Company whenever abnormally high protective tariffs are laid upon its products. A number of countries, such as India, Australia and Egypt, have raised their tariffs on matches to as high as 200 percent of the cost price. But such exorbitant duties do not hinder the expansion of the company; in the long run, indeed, they help, for the company simply establishes its own factories in the countries in question, thus turning the high tariffs to its own profit, since its greater experience enables it easily to meet the competition of the native factories. This was the company's policy in India, where it has set up several large plants in recent years. Such must be its policy in Australia, and presumably in Egypt as well. In view of the prohibitive new tariffs adopted by the United States, the Swedes will doubtless build factories of their own in that country, in order not to lose their share of the American market. The head of the company always declares that he fails to understand the demand for especially high tariffs on matches. In terms of private business it is profitable in the long run for a company to establish new plants in high tariff countries. But in terms of world business it is a waste of capital to force the erection of new factories when, in open competition with native plants, older foreign companies could supply the demands of a given country satisfactorily and at lower prices.

The organization plan of the Kreuger concern is so complicated that the total of its investments can be only suggested. On December 31, 1929, its private capital (throwing out, that is, all double entries) showed 100 million dollars common; 85 million, preferred and partial debentures; 280 million, reserve fund and surplus — total, 465 million. To this we add 105 million in debenture loans, so that the present capitalization must be some 570 million. On December 31, 1924, the figure was 113 million; in 1927, 280 million; in 1928, 408 million. Quintuplication, therefore, in the space of five years! In mid-July 1930 the 185 million in common and preferred were valued on the Stock Exchange at approximately 620 million. According to the dividends of the various companies these shares and debentures are rated to earn 33 million a year, a return of nearly 5.3 percent.

The combined assets of all Kreuger companies might be estimated at 480

million dollars for 1928 and at 630 million for 1929. Of this latter amount, actual match assets (factories, stocks, shares, concessions) might be put at some 200 million (32 percent), "other investments" account for some 400 million (63 percent), and the remaining 30 million (5 percent) go for cash on hand and bank accounts. Of the 400 million in "other investments," about 200 million must represent bond loans, chiefly monopoly loans, and the other half includes the interests in the Swedish Woodpulp Company, the Graengesberg, and banks, real estate, etc.

In the course of six years, the Kreuger interests have called on the international money market for issues to an amount of some 432 million dollars. The expansion of the Kreuger colossus and the improvement of its international credit are thrown into sharp relief by the extraordinary rise in stock exchange valuations of all Kreuger paper, whether sold to the public or offered on the stock market during the same period. At the end of 1923 this was estimated in round numbers at 65 million; in mid-July 1930 at 720 million — an appreciation of 1100 percent. In 1923 Swedish Match shares were quoted at 139 percent of their face value, with a 12 percent yearly dividend — a yield, therefore, of nearly 9 percent. In mid-July 1930, after an even more notable appreciation, most of which was later lost, they were being sold at 280 percent, which, with a yearly dividend of 15 percent, meant a net earning of 5⅓ percent. On the Stockholm Exchange in 1923 Kreuger and Toll shares were costing 237 percent of their face value, and with a 25 percent annual dividend were yielding over 11 percent. Thereafter the paper was introduced to the great foreign exchanges. In mid-July 1930 the shares, with a 30 percent annual dividend, were fetching 515 percent of their face value, so that the yield had fallen to about 5.8 percent. The strong rise in quotations and the heavy drop in yield were to a considerable extent provoked by the listing of the shares on the great exchanges and the realization of speculative prospects based on future earnings of new shares and debentures. They also reflect the general drop in international money rates.

This development in the money market establishes the soundness of a theory by which Mr. Kreuger has guided himself in his financial activities during the post-war period. He believed that the great money stringency occasioned by the destruction of property values during the war, and necessarily resulting in high money rates, could be only a temporary phase. The resumption of peace-time productivity would gradually raise capital resources in every country to their former levels, and even beyond. For as the world became more extensively industrialized there was the certain prospect of increased production of capital, especially of the means of production (or capital in the strict sense of the term), while the opportunities for the fully productive employment of capital would increase in the absolute, but diminish relatively. The supply of capital must therefore tend to exceed the demand on the part of sound borrowers. This tendency would develop first in the more highly industrialized countries, then gradually spread to other lands. As a result of this excess in supply of money over demand, the money market would show a gradual tendency toward lower rates. The fall in rates of interest would, in Mr. Kreuger's judgment, be accompanied by a parallel drop in the prices of commodities. He sees his theory of the development in money rates confirmed by happenings in the international money market during recent years. He believes that the

drop in interest rates will go even farther, though temporary interruptions of the tendency, such as took place during the great speculation of 1929, are to be expected.

It has been during the post-war years, and especially during the past five years, that Mr. Kreuger's interests have become a gigantic international enterprise. Contrast this Gulliver with his Lilliputian instrument, that insignificant everyday commodity, the match; the contrast is almost comic. But the match is a mass commodity, consumed in billions of units annually, and a concern that sets out to supply 70 or 80 percent of the world demand must be a great one.

But it is doubtful whether the Swedish Match Company would ever have attained its present position of power on the basis of its technical, financial and business superiority alone. Political and private opposition to its expansion in the various countries has always been considerable. The Swedish company was able to attain its aims for the most part only by adapting itself to the varying situations in the different countries and by avoiding open warfare wherever possible. Furthermore, as I have suggested, opportunities for expansion were furnished by combinations with state monopolies, accompanied by loan transactions whereby the Swedish Match Company became, if you will, an international trust, but also a great investment trust. Further development in this direction depends on the connections I have described between the Swedish Match Company and the Kreuger and Toll concern, through the person of its president.

In spite of the strong international position of the Swedish Match Company there can be no question of a world monopoly in matches, either now or in the future. As I have said, there are still powerful "outsiders." There is also the possibility that competition will assume new forms. Revolutionary technical developments, such as the invention of new match machines, or "lighters," are not impossible. Some day a cheaper, more efficient and really mechanical lighter may be produced, which will crowd the match off the market. To be sure, no such competition has so far appeared. But in any case the Swedish Match Company could never create a real world monopoly unless all the countries of the earth were to grant it their state monopolies. Even then it would not be a real monopoly, especially in the American sense of the term, but a world trust by the grace of the different governments — something quite different, and for that matter, itself unthinkable.

MALTA: CHURCH AND STATE

THE bitter conflict between Church and State raging for some time past in the Maltese Islands, and not yet settled, is closely connected with the language problem in this small but important British colony. Maltese — a Levantine dialect — is the language of the middle and lower classes; Italian is spoken, with a limited vocabulary and a peculiar intonation, by the upper class, about one-sixth of the population. English is the official language of the administration, but Italian is that of record in the law courts; that is, the inhabitants of Malta, 86 percent of whom cannot understand Italian, are liable to be tried in that language by Italian-speaking juries. This language problem has been present ever since the British title to Malta was confirmed by the Treaty of Paris of 1814, and various schemes of instruction to overcome it have met with scant success. In the 1880's the battle was drawn between the party led by Sir Gerald Strickland (now Lord Strickland), which opposed the spread of the Italian language, and the Mizzi party, which wanted to insure the predominance of the Italian language. These battle lines have come down to the present day, when the coalition government (the Constitutional and Labor parties) favors a policy of developing Maltese nationality along the lines of British Imperial citizenship, with English culture, standards and ideals, while the opposition (the Nationalist Party) represents the Italian-speaking elements.

The occasion of the present conflict between Church and State was a dispute over ecclesiastical discipline. Father Carta, head of the Franciscan order in Malta, attempted to remove Father Guido Micallef from the island for disciplinary reasons. Lord Strickland, the Prime Minister, intervened. Lord Strickland, himself a Roman Catholic, was born in Malta of English and Italian parents; he returned to Malta in 1921 and reëntered local politics after a distinguished career in the British Colonial Service, in the course of which he was Governor of Tasmania, Western Australia and New South Wales. In regard to the proposed transfer of the friar, Lord Strickland maintained that it was intended not as a disciplinary measure but as punishment for his support of Strickland in the 1927 elections, and he threatened to expel Father Carta as an undesirable alien on the ground that an Italian could not command a British subject to leave British territory. Popular feeling ran high, and finally the Maltese Legislative Assembly adopted on January 24, 1929, a resolution[1] requesting His Majesty's Government to invite the Vatican to send a fully authorized representative to Malta to inquire into the case.

The British Government, believing that the Micallef case was but a symptom of the generally unsatisfactory state of affairs in Malta, asked that an Apostolic Visitor be sent to Malta to investigate not only the Micallef case but also the whole question of the relations of the ecclesiastical authorities to the political government. The Cardinal Secretary of State replied that the Pope approved of such an investigation, but suggested that it be conducted by his own Delegate Apostolic. Accordingly, Mgr. Paschal Robinson was chosen, with the cordial approval of the British Government; he proceeded to Malta, where during April and May he conducted a thorough investigation into the relations

[1] This and all other documents referred to in this article are printed in "Correspondence with the Holy See relative to Maltese Affairs, January 1929 to May 1930," London, 1930. Cmd. 3588.

between Church and State. He informed the Governor, Sir John Du Cane, that he thought the differences between the government and the ecclesiastical authorities could best be dealt with by a concordat, and the Governor advised the British Government that such a concordat should be concluded within a year, before the next general elections. The Maltese ministers requested that this concordat should provide that no foreigners be appointed heads of religious orders in Malta. The British Government asked for a copy of Mgr. Robinson's report, or at least the conclusions that he had submitted to the Vatican, so that it might see whether they formed a suitable basis for discussion; but as late as March 14, 1930, it had received neither.

Instead the Cardinal Secretary of State on July 2, 1929, wrote to the British Legation to the Holy See that "Lord Strickland is not *persona grata* to the Holy See, as he pretends to be," and enclosed an anonymous account of Lord Strickland's activities in Malta, according to which "Malta is at present subjected to a régime of terror and despotism, in which the opposition in Parliament is disarmed and its press gagged, the courts threatened, justice suspended, the constitution in danger, the country in a ferment, the Church and religion openly insulted and opposed." The Maltese ministers questioned the source of this account; and they added: "Be the source of the aide-memoire what it may, the contents of the document itself are obviously a travesty of the situation in Malta, dictated by undiluted political bias and transparent personal enmity against Lord Strickland, chronically indulged in by the opposition, or the so-called 'Nationalist' party in Malta. . . . The *de facto* leader of the Nationalist opposition is Dr. Enrico Mizzi, . . . who has been notorious in the past for his anti-British propaganda in Italy and in Malta. . . . The basis, aim and object of his policy, as stated by him, are 'that the only solution of the Maltese question is the annexation of Malta to Italy' and that 'the day cannot be far off when Malta, which *de jure* belongs to Italy, shall belong to her also *de facto*.' . . . It is to bolster up this absurd claim that the opponents of the government have made it a rule to associate Catholicism with Italianity and to denounce everything that is British as inconsistent with and hostile to our faith." They denied having defamed priests, except those taking an active part in politics for partisan purposes. On August 10, 1929, the Cardinal Secretary of State explained that this account of Lord Strickland's activities was based on the reports of Mgr. Robinson and the bishops of Malta. He further stated that the Holy See denied "the false and malicious insinuation made by Lord Strickland that the Holy See has acted in favor of the Italian party in the island." However the Holy See agreed on October 13, 1929, to initiate negotiations with the British Government through diplomatic channels in order to end the disturbed religious situation in Malta, but it added: "At the outset of the discussions in question it will be as well to remember that the principal, if not the sole, cause of the disturbed religious conditions in Malta has been the anti-clerical attitude of Lord Strickland." This allegation was repudiated by the British Government, which recalled that on March 1, 1929, it had expressed its belief that the cause of the trouble in the colony was disregard of the rule against political agitation by priests and the intense participation of the Maltese priests in local politics. More than three months later (on February 7, 1930) the British Legation to the Holy See complained that it had received no

suggestions as a basis on which the British Government and the Holy See could negotiate an agreement with regard to Malta.

In December 1929 the Archbishop of Malta, addressing his parish priests, said: "His Holiness has said: a certain minister is not *persona grata* with us. . . . Whoever of you, or of our clergy, after the words of the Holy Father, dared to say still that this government has been badly treated by the Pope or that the government is right in the religious question, would show himself a bad Catholic and as such will incur the canonical penalties." To the British suggestion that the archbishop should be restrained from making such remarks, the Cardinal Secretary of State replied that as soon as conversations for a concordat had begun silence should be enforced on both parties so that the negotiations might proceed without interruption.

On December 28, 1929, the Governor of Malta advised Lord Passfield, the British Colonial Secretary, that he considered it very desirable, in view of the fact that the necessary diplomatic negotiations for a concordat would probably not be concluded before the general elections that were likely in the following spring, to secure before those elections a statement that the Vatican disapproved of priests either taking an active part in the elections or being candidates for the Legislative Assembly; and he offered to obtain, and did obtain, a pledge from the Head of the Ministry to restrain his supporters from making provocative utterances during the negotiation of the concordat, provided a dissolution of the legislature did not take place before the Vatican's pronouncement was made. In reply, the Cardinal Secretary of State stated that he was skeptical of the value of a promise from Lord Strickland, and that "no negotiations for a concordat were possible as long as Lord Strickland was in power." The Vatican drew up and presented to the British Legation to the Holy See a long and detailed account of the activities of Lord Strickland in Malta with regard to the Catholic Church, alleging especially that his speeches had insulted the Holy See, and that he had portrayed the priests in Malta as oppressors of the working classes. As the Vatican refused to issue instructions to the Maltese clergy and also to negotiate a concordat while Strickland was in office, Strickland's undertaking automatically lapsed. Thus ended the discussions for the time being.

On April 26, 1930, the Governor wrote Lord Passfield that many priests were asking penitents in the Confessional whether they intended to vote for the Constitutional Party and, when the answer was in the affirmative, were refusing them absolution. He added that the members of the Maltese Cabinet believed "that the clergy were using undue influence on the electors, particularly with reference to the Confessional, contrary to the Electoral Law, which provides the penalty of imprisonment for such an offense. They added, however, that in their opinion the Church was trying to provoke them to retaliation, which in turn would justify the excommunication of [the] ministers." A week later, two ministers investigated the situation in the island of Gozo and found abundant evidence that the bishop, after the writ for the general elections had been issued, instructed the priests of his diocese to preach against the Constitutional Party and to refuse absolution to its supporters, and they obtained a number of sworn statements indicating that the bishop's instructions had been followed extensively.

On May 1, 1930, in a joint pastoral letter, the Archbishop of Malta and the Bishop of Gozo stated: "Know, therefore, as Catholics: (1) You may not, without committing a grave sin, vote for Lord Strickland and his candidates, or for all those, even of other parties, who in the past have helped and supported him in his fight against the rights and the discipline of the Church, or who propose to help and support him in the coming elections. (2) For even stronger reasons you may not present yourselves as candidates in the electoral lists proposed by Lord Strickland or by other parties who propose to support him in the coming election. (3) You are also solemnly bound in conscience in the present circumstances to take part in the elections and to vote for those persons who, by their attitude in the past, offer greater guarantee both for religious welfare and for social welfare." The Cardinal Secretary of State, defending the words of the bishops, stated on May 20, 1930: "It cannot be said that they have hindered the electors in the full liberty which the exercise of their political rights demands; they have rather wished to safeguard this liberty against the artifices of politicians considered by them and by their people to be adversaries of the Faith and of the public welfare."

Believing that if the elections were held grave disturbances would probably ensue, the Governor issued an ordinance postponing them indefinitely.

On May 30, 1930, the British Government, summing up the course of the dispute, informed the Cardinal Secretary of State that the Holy See "have now refused to take, as far as concerns them, the steps necessary for the restoration of a normal political life in Malta, whilst, before that, they had delayed many months the long-promised negotiations for defining the relations between Church and State in the islands, and finally rendered them impossible by attaching a condition as to the personality of the Head of the Maltese Administration, which constitutes nothing less than a claim to interfere in the domestic politics of a British Colony."

The deadlock which made constitutional government in Malta impossible was broken by an Order in Council, signed in London on June 24, 1930, which temporarily suspended the constitution of Malta and validated all ordinances enacted by the Governor since the dissolution of the legislature in April. It remains to be seen whether after this firm step by the British Government the strong feelings aroused in Malta will subside, so that there may be some final solution of the question how to regulate the position of the Church there.

A. S. V. S.

GOVERNMENT SUBSIDIES IN JAPAN

By Herbert M. Bratter

GOVERNMENT subsidies have been a consistent feature of Japanese practice since the country emerged from the feudal system in the eighteen-sixties. Japan's industrial history is singularly unlike that of other countries in that it is not marked by a policy of "laissez faire." Immediately following the restoration of 1867–8, the government set itself the task of industrializing the country, realizing that for this purpose it would have to convert into capitalists and factory workers a nation of knights and retainers. From the first, therefore, the government has exercised a paternal rôle in Japan's economic development. The result has been to make the Japanese people dependent upon the government to a degree unparalleled in other capitalist countries. "Almost any new industry," says a recent writer,[1] "so long as its promoters had some political friends, could secure exemption from taxation, even if no more direct form of subsidy could be obtained."

In starting modern industries it was the government's intention to turn them over to private management and ownership as soon as possible, retaining only a measure of control. In some cases this was done, but not in all. Not only has the government continued to manufacture steel, woolen cloth, and other articles, but it has reserved as state monopolies the trade in salt, tobacco, camphor and ginseng. For the rest, the "westernization" policy has created mammoth corporations, which — despite their size — still look to the government for sustenance. Indeed, the list of interests receiving aid in one form or another covers almost the entire field of Japanese economic life. Banking, industry, agriculture, labor, shipping, and shipbuilding, foreign trade, construction, and domestic commerce, all are in receipt of help; hardly any activity of importance or promise is not clamoring for it.

The most important subsidies reported in 1930, apart from those to the all-important silk industry, are those to shipping. Plans are afoot this year which look to low-interest loans, postponement of loan repayments, and other financial assistance to the shipping industry in general and to shipbuilding in particular.

The reason is not far to seek. As a compulsory importer of food stuffs and raw materials and as an exporter of manufactured goods, Japan must assure her carrying eminence. Early in her industrial history she turned to the creation of a merchant marine by extending bounties both for the training of seamen and for building ships. By 1894 considerable progress had been made. The conflict with China in that year gave further stimulation to Japan's marine program. Legislation in 1896 provided two kinds of bounties, one for ship construction and the other for navigation. Fifteen subsidized routes were specified, and extraordinary favors were granted to owners of Japanese vessels under fifteen years old.

Shipbuilding immediately responded, while imports of foreign vessels also increased, but the overproduction of ships forced rates down and, in spite of the subsidies, caused severe losses to the shipping companies. The government,

[1] G. C. Allen: "Modern Japan and Its Problems," p. 112.

too, felt the burden, and in 1899 reduced certain subsidies, though it extended others. The Russo-Japanese War, which brought Japan into the front rank of nations, gave a fillip to the subsidy program. Rebates were allowed on imports of ship materials, and additional aid to shipbuilding came in the tariff law of 1911, which raised the duty on imported vessels.

The demands of the World War brought on a boom in Japanese shipbuilding, and, seeing that the object of the subsidies could now be accomplished without assistance, these were discontinued. Direct aid to shipping was henceforward confined to the navigation bounties. Instead of making shipbuilding grants, the government subsidized the steel industry, with the result that by 1921 domestic production equalled imports in volume. After 1921 these steel bounties were limited to steel products used in the construction and repair of naval vessels or merchant ships.

In 1920–21 an important change in the system of navigation bounties was put into effect by the authorization of a system of postal subsidies. This applied to the lines to Europe and Australia (for which navigation bounties were not included in the budgets after 1921) and to the line from Japan to Seattle. The purpose seemed to be eventually to eliminate oversea navigation bounties and to substitute therefor a system of mail payments. In the case of shipping plying between Japan and the Pacific coasts of Asia and adjacent islands, there was no move to make this substitution, navigation bounties being retained.

The difficulties of the post-war period, coupled with the suspension of warship construction after the Washington Conference, called for a revival of assistance to the shipyards. Hence, in 1921 the present system of indirect encouragement was initiated. This consists of putting on the free list imports of steel and steel products consumed by the shipyards, and, as already mentioned, of paying to Japanese steel manufacturers a bounty on all steel used in building or repairing ships in Japan. Further indirect encouragement to Japanese shipbuilding is contained in the provision in the law authorizing the subvention of four trans-Pacific lines that foreign-built ships shall not share in these benefits, except under special permit.

Special subsidies to steamship lines carrying cotton or cotton goods are also in effect. The Osaka Shosen Kaishu, for instance, has since 1926 been receiving 400,000 yen ($200,000) per annum for its East Africa service, and the Nippon Yusen Kaisha received 663,075 yen ($330,000) in 1925–6 and 616,379 yen ($310,000) in 1926–7 for fourteen San Francisco-Japan sailings per annum. Because of the receipt of subsidies, the shipping companies are more or less obligated to the government. Thus, they are sometimes requested to cut rates on goods the trade in which the government wishes to foster. This has been particularly marked in the export trade in cotton goods.

In other countries subsidies are granted to aid infant industries to become independent. In Japan, it is true, the government has had this principle in mind. In many cases the industries so sponsored have been slow in attaining the desired maturity. Encountering difficulty, they try to persuade the government to come to the rescue. And very frequently the government is willing to do so. Thus the demand for subsidy is always heard, particularly in times of business depression like the present.

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A general treatise, by a Greek professor and member of the Conference on the Codification of International Law.

EDUCATION AND INTERNATIONAL RELATIONS. By DONALD A. PRESCOTT. Cambridge: Harvard University Press, 1930, 177 pp. $2.50.

A scholarly study of the social forces, institutions and educational influences that determine the popular attitude in international matters.

A COLLECTION OF NATIONALITY LAWS. By RICHARD W. FLOURNOY AND MANLEY O. HUDSON. New York: Oxford University Press, 1929, 776 pp. $4.00.

An authoritative compilation, indispensable to the student of this vexed question.

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LES SANCTIONS MILITAIRES DE LA SOCIÉTÉ DES NATIONS. By GUY DE RESSEGUIER. Paris: Presses Universitaires, 1930, 141 pp. Fr. 20.

A scholarly study of the theory and practice of military sanctions under the Covenant.

L'ÉCONOMIE MONDIALE ET LA SOCIÉTÉ DES NATIONS. By ELEMER HANTOS. Paris: Giard, 1930, 384 pp. Fr. 50.

A well-known writer examines the possibilities of the League as a factor in solving the economic problems of Europe.

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THE REPARATION SETTLEMENT. By Denys P. Myers. Boston: World Peace Foundation, 1929, 249 pp. 75¢.

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WHAT'S RIGHT WITH AMERICA. By Sisley Huddleston. Philadelphia: Lippincott, 1930, 251 pp. $2.50.

A noted English journalist surveys the American scene from the political, social and cultural standpoints, in an amiable and sympathetic volume.

QUINZE ANNÉES DE POLITIQUE AMÉRICAINE. By P. Spitzer. Paris: Boccard, 1930, 258 pp. Fr. 25.

This able review of our policies from 1913 to 1928 is at least indicative of the growing interest of Europe in American affairs.

L'AMÉRIQUE ET L'EUROPE. By Orestes Ferrara. Paris: Oeuvres Representatives, 1930, 300 pp. Fr. 12.

The Cuban delegate to the League discusses Pan-Americanism and European opinion.

LA LIBERTÉ DES MERS ET LA RIVALITÉ ANGLO-AMÉRICAINE DE 1920 À 1930. By Philippe Grison. Paris: Publications Contemporaines, 1930, 112 pp. Fr. 25.

A serious French study of the Anglo-American problem.

BRITAIN AND AMERICA. By John W. Graham. London: Hogarth, 1930, 134 pp. 2/6.

This Merttens Lecture supplies in brief scope one of the best general accounts of Anglo-American relations, with special reference to the war and post-war periods.

L'ABOMINATION AMÉRICAINE. By M. Kadmi-Cohen. Paris: Flammarion, 1930.

Well described in the title. A vitriolic attack upon the perfidious and insidious plan for American domination of Europe.

SOUS LE SIGNE DE MONROE. By L. Rollin. Paris: Alcan, 1930, 213 pp. Fr. 15.

The American empire in Mexico, Cuba, Panama and Colombia, as a Frenchman sees it.

LA ENMIENDA PLATT Y EL TRATADO PERMANENTE. By Cosme de la Torriente. Havana: Rambla, Bouza, 1930, 78 pp.

An amplification of the interesting article on Cuba and the United States written for a recent issue of Foreign Affairs by the former Cuban Ambassador at Washington.

LE CONTRÔLE FINANCIER DU GOUVERNEMENT DES ÉTATS UNIS D'AMÉRIQUE SUR LA RÉPUBLIQUE D'HAITI. By V. Beauvoir. Paris: Sirey, 1930, 268 pp. Fr. 30.

A strong indictment, by a Haitian lawyer and diplomat.

PORTO RICO AND ITS PROBLEMS. By Victor S. Clark and Associates. Washington: Brookings Institution, 1930, 707 pp. $5.00.

An elaborate survey of economic and social conditions in the island, with extensive recommendations for ameliorating the situation.

THE PHILIPPINES, PAST AND PRESENT. By Dean C. Worcester and Ralston Hayden. New York: Macmillan, 1930, 862 pp. $6.00.

This revised edition of a standard work contains a lengthy biographical sketch of Worcester and several additional chapters.

MEXICAN IMMIGRATION TO THE UNITED STATES. By Manuel Gamio. Chicago: Chicago University Press, 1930, 280 pp. $3.00.

An exemplary study of a very important problem. Far from limiting himself to a purely statistical study of human migration across the border, the author has approached the problem rather from the angle of cultural relations, stressing the difficulties of the unskilled Mexican laborer in a country where he finds a different mentality, language, social organization and frequently religion. The writer feels that migration of a temporary nature, which supplies this country with unskilled labor, is not to be deprecated, but insists that some effort should be made to restrict permanent immigration, for the good of both countries. Señor Gamio has had a thorough sociological education, has been sub-secretary of education in Mexico and holds high office in the Mexican Government. He speaks with authority, and his book should help to attract attention in this country to an important but neglected problem.

The World War

BRITISH DOCUMENTS ON THE ORIGINS OF THE WAR, 1898–1914. Edited by G. P. Gooch and Harold Temperley. London: His Majesty's Stationery Office (New York: British Library of Information), 1930, 867 pp. $5.25.

Volume VI of this important publication takes up the Anglo-German problem in the years 1907 to 1912, and throws much light on the development of the Anglo-German naval rivalry.

LES RESPONSABILITÉS DE LA GUERRE. By René Gérin. Paris: Payot, 1930, Fr. 15.

Some time ago M. Gérin, a French veteran and radical, submitted to M. Poincaré

a questionnaire, through which he hoped to be able to clear up some of the more debatable points in the history of French pre-war policy. The questions hinged chiefly on the problem of Franco-Russian relations. Was France obliged to come to Russia's assistance? Had M. Poincaré extended the sense of the Franco-Russian Alliance in the years just preceding the war? Did the French Government regard mobilization as the equivalent of a declaration of war? Did the French Government know of or approve of the Russian general mobilization? M. Poincaré was at first prevented from replying to these questions by his illness, but has now answered at some length. This volume, then, may be taken as his latest pronouncement on the question of the outbreak of the war. His replies indicate clearly that even he no longer subscribes to the intransigent view of German responsibility as it was laid down in the Treaty of Versailles.

SO STARB DER FRIEDE. By E. von Horvath. Berlin: Brückenverlag, 1930, 86 pp. M. 2.50.

A Hungarian diplomat reviews Austro-Serbian relations before the war and comes to the conclusion that the Sarajevo murder was the logical outcome of Serbian policy.

SARAEVSKOE UBIISTVO. By N. P. Poletika. Leningrad: Krasnaya Gaseta, 1930, 443 pp.

The most extensive Russian treatment of the events leading up to the assassination. The book is full of condemnation of the Serbian Government and its policy, but deals harshly with the other governments as well.

DIE ENGLISCH-BELGISCHEN AUFMARSCHPLÄNE GEGEN DEUTSCHLAND VOR DEM WELTKRIEG. By Carl Hosse. Vienna: Amalthea, 1930, 65 pp.

This is an important contribution to the study of the origins of the war. The author, a former major of the imperial general staff, reëxamines the vexed question of Anglo-Belgian relations in the period from 1906 to 1914, making use of the recently published British documents and such biographical material as has become available. He relies chiefly, however, upon the Belgian documents seized by the Germans in 1914 and returned to the Belgian Government in 1919. The political parts of these papers have already been published, but the military details were omitted. This study is primarily a military one and deals very largely with the negotiations of 1906, of which most is known. There is a supplement in which these new materials are printed, and also a folder of rather impressive maps. On the whole the author makes out a good case for the view that the Anglo-Belgian negotiations were not entirely in keeping with the observance of Belgian neutrality.

THE REAL WAR. By B. H. Liddell Hart. London: Faber, 1930, 540 pp. 12/6.

A somewhat racy, but withal excellent and very readable short history of the war.

SPREADING THE GERMS OF HATE. By George S. Viereck. New York: Liveright, 1930, 327 pp. $3.00.

An astonishingly frank account of propaganda activities in the United States during the war, by one who has much to tell.

EN MISSION CHEZ L'ENNEMI. By Lieutenant Pierre Desgranges. Paris: Redier, 1930, Fr. 15.

The author throws much light on French espionage, as well as on the Cavell case.

KRIEGS UND INDUSTRIESPIONAGE. By Generalmajor Max Ronge. Vienna: Amalthea, 1930, 424 pp. M. 13.

The revealing account of the Austrian chief of intelligence.

SPIONE UND VERRÄTER. By Emil Seelieger. Berlin: Verlag für Kulturpolitik, 1930, 271 pp. M. 6.30.

One of the best of the espionage revelations that have appeared recently in Germany.

NOS CHEFS DE 1914. By Lieutenant-Colonel Émile Mayer. Paris: Stock, 1930, 320 pp. Fr. 15.

Personal recollections of Joffre, Foch, Lanrezac, and others.

VERDUN. By Henri P. Pétain. New York: Dial, 1930, 235 pp. $4.00.

The English translation of a classic.

DER FELDHERR WIDER WILLEN. By Wilhelm Groener. Berlin: Mittler, 1930, 250 pp. M. 12.

The continuation of General Groener's interesting and instructive studies of German strategy. This volume deals primarily with the Marne campaign, the author stressing especially the departures from the Schlieffen plan.

L'ITALIA NEELA GUERRA MONDIALE. By P. Scipione. Florence: Vallechi. 1930, 320 pp. L. 30.

A good survey of the Italian campaigns.

RUMÄNISCHE ETAPPE. By Gerhard Velburg. Minden: Köhler, 1930, 324 pp. M. 6.

The experiences of a German soldier in the Rumanian campaign.

THE GREAT WAR IN WEST AFRICA. By Brigadier-General E. Howard Gorges. London: Hutchinson, 1930, 284 pp. 21/-.

This account, written by one of the commanding officers, fills a gap in the history of the World War.

Western Europe

DREIZEHN MÄNNER REGIEREN EUROPA. By Fritz Klein. Hamburg: Hanseatische Verlagsanstalt, 1930, 194 pp. M. 3.80.

The leaders of European politics described in a series of unusually discerning essays by the editor of the *Deutsche Allgemeine Zeitung*.

VERS LES ÉTATS UNIS D'EUROPE. By B. de Jouvenel. Paris: Valois, 1930, Fr. 12.

An acute analysis of the ways of European diplomacy, relegating the idea of a united Europe to the realm of dreams.

SOUVERÄNER EUROPÄISCHER BUND. By Arnold Nuesch. Basel: Nuesch, 1930, 208 pp. M. 5.

An account of the legal aspects of the problem of a confederation.

GERMANISME ET LATINITÉ. By Roger Dumon. Paris: Éditions Promethée, 1930, Fr. 12.

The Rhine antagonism as the symbol of the eternal conflict between German and Latin.

TAUSEND JAHRE DEUTSCH-FRANZÖSISCHER BEZIEHUNGEN. By Johannes Haller. Stuttgart: Cotta, 1930, 242 pp. M. 5.

A prominent historian, who has an unusual gift for synthesis, reviews the evolution of the Franco-German rivalry.

LA BELGIQUE CONTEMPORAINE. By Frans van Kalken. Paris: Colin, 1930, Fr. 10.50.

An admirable survey by a Professor at the University of Brussels.

A HISTORY OF THE FLEMISH MOVEMENT IN BELGIUM. By Shepard B. Clough. New York: Cape and Smith, 1930, 316 pp. $3.00.

This careful scholarly study in English has long been needed. It can be warmly recommended to all interested in one of the major movements of western Europe.

CLEMENCEAU, OU L'HOMME DE GUERRE. By Georges Guy-Grand. Paris: Bernard, 1930, Fr. 16.

A brief character study of the Tiger.

BRIAND, MAN OF PEACE. By Valentine Thomson. New York: Covici-Friede, 1930, 356 pp. $5.00.

This intimate biographical essay is full of interesting sidelights on the career of the French stateman, but is in no way a critical contribution.

L'ALSACE ET LE VATICAN. By Pierre Fervacque. Paris: Fasquelle, 1930, Fr. 12.

The author sees in the autonomist movement nothing but a blind for the dangerous policy being pursued by the Church.

SPAIN. By Salvador de Madariaga. New York: Scribner, 1930, 507 pp. $5.00.

This latest volume in the "Modern World Series" is bound to overshadow most other recent books on Spain in English, and to attract much attention, not only because of the recent developments in the Spanish question, but because of the reputation of the author. Madariaga is a writer who represents a rare type of political publicism. Without losing himself in details he attempts to get at the root of matters and to stress the psychological elements in history and international relations. This procedure, though fascinating, may at times lead to dangerous generalization and hasty conclusions. But in a volume of this type the author has free scope, for his task is to summarize the chief characteristics of the Spanish people, their culture and their history, all by way of preface to an analysis of recent events. In discussing the latest developments it is, of course, impossible to stand aloof. Madariaga is frankly on the constitutional side, though he is not blind to the arguments of his opponents. There is much in this brilliant volume to interest the student of international relations. The chapters on the Moroccan question and on the vexed Catalan problem can be especially recommended.

ESPAGNE. By Santiago Alba. Paris: Valois, 1930, Fr. 12.

An important book by a former Spanish Minister of Foreign Affairs, now living in Paris. He reviews the dictatorship and gives a program for the future.

BOSQUEJO HISTÓRICO DE LA DICTADURA. By Gabriel Maura Gamazo. Madrid: Edition Minerva, 1930, two volumes, Pes. 15.

Written by a prominent Spanish statesman and historian, this is one of the best detailed accounts of the dictatorship, from its inception to its fall.

IDEAS Y HECHOS POLÍTICOS. By Luis Araquistain. Madrid: Edition España, 1930, 274 pp. Pes. 5.

The revised edition of a book written ten years ago. A warmly partisan republican view of recent Spanish history.

LA DICTADURA MILITAR. By Francisco Villanueva. Madrid: Morata, 1930, 232 pp. Pes. 5.

A detailed account of opposition activities and their repression by the Directory.

POLÍTICA DE LA DICTADURA. By Dalmacio Iglesias. Barcelona: Espasa Calpe, 1930, 224 pp. Pes. 4.

A criticism of the economic policy of the dictatorship, with suggestions for the future.

THE EXPANSION OF ITALY. By Luigi Villari. London: Faber, 1930, 290 pp. 15/-

An eloquent defense of the Italian colonial policy under the Fascist régime.

LA GUERRA E LE CLASSI RURALI ITALIANE. By A. Serpieri. New Haven: Yale University Press, 1930, 503 pp.

This valuable monograph in the Carnegie series strikes at one of the key problems of modern Italy. The account is carried through the years immediately following the war.

LE FASCISME ET L'ANTI-FASCISME EN ITALIE. By M. Rocca. Paris: Alcan, 1930, 230 pp. Fr. 15.

The former Italian deputy reviews the great conflicts of the past decade.

SIX ANS DE GUERRE CIVILE EN ITALIE. By Pietro Nenni. Paris: Valois, 1930, Fr. 15.

A former associate of Mussolini deplores the degeneration of the movement and condemns the dictatorship.

LE SAINT-SIÈGE ET LE DROIT DES GENS. By L. Le Fur. Paris: Sirey, 1930, 291 pp. Fr. 25.

A serious contribution to the knotty problem of the international position of the Papacy.

POLITISCHE GESCHICHTE DES NEUEN DEUTSCHEN KAISERREICHES. By Johannes Ziekursch. Frankfurt: Frankfurter Societäts-Druckerei, 1930, 489, M. 11.

Volume III of this excellent history of the German Empire covers the period from Bismarck's fall to the collapse of the empire. To date this is the best book on the subject.

GUILLAUME II. By Maurice Muret. Paris: Éditions des Portiques, 1930, Fr. 20.

Relying on the numerous memoirs published in Germany, the author attempts an estimate of the character of the last emperor.

L'ABDICATION DE GUILLAUME II. By Maurice Baumont. Paris: Plon, 1930, 256 pp. Fr. 15.

A well-informed French historian assembles all available material in a scholarly study of the critical November days of 1918.

THE GERMANS AT VERSAILLES. By Victor Schiff. London: Williams and Norgate, 1930, 208 pp. 7/6.

The English translation of an interesting account of the German deputation and its activities.

STRESEMANN. By Rudolf Olden. New York: Dutton, 1930, 235 pp. $3.00.

The English translation of one of the best biographies of the late statesman.

HINDENBURG, THE MAN AND THE LEGEND. By Margaret Goldsmith and Frederick Voigt. New York: Morrow, 1930, 304 pp. $3.50.

A biographical study which leaves little of Hindenburg but the legend.

DER RUHRAUFSTAND VON 1920. By Erwin Brauer. Berlin: Internationaler Arbeiterverlag, 1930, 112 pp. M. 1.

The rising in the Ruhr in 1920, told from the communist viewpoint.

HANDBUCH DER SCHLESWIGSCHEN FRAGE. By Karl Alnor. Neumünster: Wachholtz, 1930, 153 pp. M. 5.

Volume III of an important handbook, covering the history of the Schleswig question in the years 1918–1920.

DAS MINDERHEITENRECHT IN OBERSCHLESIEN. By J. P. Warderholt. Berlin: Brückenverlag, 1930, 451 pp. M. 18.

A general discussion of the question of protection of minorities followed by an analysis of the decisions of the president of the mixed commission from 1922 to 1929.

ABWEHRKAMPF UND VOLKSABSTIMMUNG IN KÄRNTEN 1918–1920. Edited by Hans Lagger. Berlin: Dietz, 1930, 160 pp. M. 3.

A detailed account of the plebiscite in Carinthia.

DER SPRACHENKAMPF IN DEN SUDETENLÄNDERN. By Harry Klepetař. Warnsdorf: Strache, 1930, 152 pp. M. 3.

An enlightening study of the language difficulties in the Succession States.

TYROL UNDER THE AXE OF ITALIAN FASCISM. By E. Reut-Nicolussi. London: Allen and Unwin, 1930, 278 pp. 12/6.

The English translation of an effective indictment of the Italian policy, written by an exiled Tyrolese leader.

Eastern Europe

MASARYK, STAATSMANN UND DENKER. Prague: Orbis, 1930, 251 pp. M. 3.

A series of appreciations of Masaryk, among the most interesting being those which discuss his relations to other European countries.

ZOBOWIAZAMIA MIEDZYNARODOWE POLSKI, 1919–1929. By Julien Makowski. Warsaw: Lazarski, 1929, 313 pp.

The international engagements of Poland since the war.

IL CONFLITTO LITUANO-POLACCO E LA QUESTIONE DI VILNA. By L. Merigi. Milan: Instituto Editoriale Scientifico, 1930, 117 pp. L. 25.

A careful and impartial monographic study.

LE PAYS DU CHEVALIER BLANC. By Jean Mauclère. Paris: Spès, 1930, 272 pp. Fr. 12.

A lively and readable essay on the history of Lithuania and the national renaissance.

BALTISCHES HANDBUCH. Danzig: Danziger Zeitungsverlagsgesellschaft, 1930, 250 pp. M. 2.50.

A valuable collection of essays on the policies of Estonia, Latvia, Danzig, Denmark, Sweden and Lithuania, written chiefly by prominent Baltic statesmen.

RUSSIAN AGRICULTURE DURING THE WAR. By Alexis N. Antsiferov and others. New Haven: Yale University Press, 1930, 394 pp. $4.00.

The student of Russian affairs will find in this monograph, in the Carnegie series, an admirable discussion of the land settlement problem before the war, during the war and during the revolution.

BOLSHEVIKI U VLASTI. By A. F. Ilyine-Jenevski. Leningrad: Priboi, 1929, 196 pp.

Recollections of 1918 by the former secretary at the commissariat of war.

RUSSLAND. By Hans von Eckardt. Leipzig: Bibliographisches Institut, 1930, 568 pp. M. 30.

One of the best descriptive works on modern Russia, stressing particularly the economic side.

DER SOWJETSTAAT. By Karl Max von Hellingrath. Munich: Ebering, 1930, 120 pp. M. 3.50.

An essay on the Russian Constitution, with emphasis on the federal organization and its evolution.

SIEBEN JAHRE SOWJETUNION. By Paul Scheffer. Leipzig: Bibliographisches Institut, 1930, 451 pp. M. 11.

This is distinctly a book worth reading, and one that compares favorably with Chamberlin's "Soviet Russia," noted in the previous number. The author was Russian correspondent of the *Berliner Tageblatt* during most of the period from 1921 to 1929, and was able to reënforce his penetrating observations in the capital by the experiences of extensive travel in all parts of the Soviet union. He probably knows post-revolutionary Russia as well as any foreigner. This book is based directly on his reports to his newspaper, reports which were characterized by unusual discernment and detachment. This is not a diatribe in any sense of the term, but the calm and considered report of happenings by a competent person. The reader will find here interesting chapters dealing not only with the stormy history of Russian domestic politics, but with art and religion and especially with the evolution of Russian foreign policy in Europe and Asia. In one section the author takes up the problem of German eastern policy, one of the major questions of European international relations in the post-war period.

L'ENLÈVEMENT DU GÉNÉRAL KOUTEPOV. By B. Bajanov. Paris: Spès, 1930, Fr. 5.

A detailed account of the famous kidnapping case.

VOM RUBEL ZUM TSCHERWONJEZ. By Karl Elster. Jena: Fischer, 1930, 316 pp. M. 15.

A technical study of the rather obscure monetary history of the Bolshevik régime.

THE RUSSIAN CRUCIFIXION. By F. A. MacKenzie. London: Jarrolds, 1930, 140 pp. 2/-.

One of the better accounts of the relations of the Russian Government with the church since the revolution, based in large measure upon personal observation.

RESPONSABILITÉ DE LA HONGRIE. By Raoul Chelard. Paris: Bossard, 1930, Fr. 30.

The recollections of an agent of the French foreign office, on mission to Hungary.

UNE ÉTAPE DU CALVAIRE SLOVAQUE. LE PROCÈS TUKA. By François Jehlicka. Paris: Argo, 1930, 120 pp.

A piece of violent polemical writing which throws light on the difficulties between the Czechs and the Slovaks.

SOCIAL SCIENCES IN THE BALKANS AND TURKEY. By Robert J. Kerner. Berkeley: California University Press, 1930, 137 pp. $1.75.

A useful little handbook.

LE RÉGIME ABSOLU YOUGOSLAVE. By Miloutine Yovanitch. Paris: Publications Contemporaines, 1930, 200 pp. Fr. 30.

A survey of the developments of the past two years, with an interesting chapter on political conditions before King Alexander took full control.

LA SITUATION JURIDIQUE DES MACÉDONIENS EN YUGOSLAVIE. By Karl Strupp. Paris: Presses Universitaires, 1930, 140 pp. Fr. 50.

A German jurist reviews the vexed Macedonian problem and comes to the conclusion that the Macedonians are really a Bulgarian minority and that the Jugoslav policy is subject to the minorities treaties.

THE LAND AND THE PEASANT REFORM IN RUMANIA. By David Mitrany. New Haven: Yale University Press, 1930, 661 pp. $5.00.

No student of Balkan affairs, indeed no student of European politics, can afford to overlook this recent volume, one of the most enlightening in the whole Carnegie series. Rumania has been much in the public eye of late, and the hopeless confusion of its political life has undoubtedly obscured some of the more vital factors in her recent development. In examining the peasant and land problem, Mitrany strikes at the root of the whole situation. Not content with a review of the land legislation since the World War, he begins by studying the evolution of serfdom and the growth of the large estates in Rumania. These introductory chapters are of great interest and help to an understanding of the social effects of the Turkish régime throughout the Balkans. As the author says, these effects were by no means all bad. Indeed, the agrarian problem in Rumania became acute only as the ties that bound the provinces to Turkey were relaxed and the country, under Russian influence, was turned over to the boyars. The discussion of the post-war land settlement is very full and critical throughout. It will enable the reader to recognize the real nature of this reform and its shortcomings as well as its advantages. Here is the explanation for the rise of the Peasant Party in Rumanian politics and for the stormy developments that have followed on the collapse of the outworn Bratianu régime.

LA BULGARIE APRÈS LE TRAITÉ DE NEUILLY. By Georges Desbons. Paris: Rivière, 1930, 463 pp. Fr. 50.

A review of recent history, with a pronounced Bulgarian bias.

L'ALBANIA DI RE ZOG. By G. Traglia. Rome: Tiber, 1930, 160 pp. L. 30.

A general descriptive book.

The British Commonwealth of Nations

DAS BRITISCHE WELTREICH. By Hermann Lufft. Leipzig: Bibliographisches Institut, 1930, 626 pp. M. 32.

Another of the excellent and profusely illustrated descriptive works being published by the famous German institute.

STUDIES IN DIPLOMATIC HISTORY. By Sir James Headlam-Morley. New York: King, 1930, 312 pp. $3.50.

The late historical adviser of the Foreign Office reviews the problems of disarmament, arbitration and security and discusses the Egyptian question in a series of well-informed and well-balanced essays.

LORD BALFOUR. By Sir Ian Malcolm. London: Macmillan, 1930, 124 pp. 7/6.

An admirable character sketch, by Balfour's secretary; particularly interesting for what is said of his mission to America and his work at the Peace Conference.

KITCHENER. By General C. R. Ballard. London: Faber, 1930, 380 pp. 18/-.

A thoroughly enthusiastic book, but not very weighty.

NORTHCLIFFE. AN INTIMATE BIOGRAPHY. By Hamilton Fyfe. London: Allen and Unwin, 1930, 350 pp. 16/-.

A lively study of Northcliffe's character and work, by one of his admirers.

THE ROYAL NAVY. By Geoffrey Parratt. New York: Macmillan, 1930, 249 pp. $3.00.

A warm appreciation of the history of the navy, with special reference to its work for England during the war.

THE DUPE AS HERO. By Logistes. London: Cape, 1930, 223 pp. 6/-.

A witty but bitter attack on the war debt settlements as negotiated by the British Government.

THE WORLD'S POPULATION PROBLEMS AND A WHITE AUSTRALIA. By H. L. Wilkinson. London: King, 1930, 340 pp. 18/-.

A keen discussion of the Australian policy in its larger world setting.

DIE STAATS UND VOELKERRECHTLICHE STELLUNG BRITISCH-INDIENS. By Wolfgang Kraus. Leipzig: Noske, 1930, 226 pp. M. 12.

A careful and thorough scholarly treatment of an involved and important problem.

LOYAL INDIA. By Percy Dumbell. New York: Cape and Smith, 1930, 244 pp.

A well-documented study of the evolution of British rule in India since the great mutiny.

THE TIMES BOOK OF INDIA. London: The Times, 1930, 288 pp. 7/6.

As a general survey of conditions this collection by some thirty-odd experts can hardly be improved upon.

IN HET VOETSPOOR DER VADEREN. By Maurits Wagenvoort. Amsterdam: Mees-Santpoort, 1930, 152 pp.

A Dutch historian's very interesting observations on the problems raised by British rule.

MUST ENGLAND LOSE INDIA? By Lieutenant Colonel Arthur Osburn. New York: Knopf, 1930, 280 pp. $2.75.

A highly controversial book, in which the author stresses the arrogance of manner and contempt for the native as determining factors in the present unrest.

INDIEN IM SCHMELZTIEGEL. By C. Z. Klötzel. Leipzig: Brockhaus, 1930, 285 pp. M. 6.

Observations on the Indian ferment by the correspondent of the *Berliner Tageblatt.*

SWARAJ. By Captain J. E. Ellam. London: Hutchinson, 1930, 288 pp. 12/6.

Another controversial book, setting forth the argument that the present difficulties are due to the agitation of a handful of intellectuals and that the British Government should return to a stronger direct rule.

MY MOTHER INDIA. By Dalip Singh Saund. Los Angeles: Wetzel, 1930, 218 pp. $2.50.

An interpretation of the renaissance, by a young nationalist.

RUSTICUS LOQUITUR. By Malcolm L. Darling. New York: Oxford University Press, 1930, 400 pp. $6.00.

A valuable contribution to the study of the position and outlook of the Indian peasant.

The Near East

TURKEY FACES WEST. By Halidé Edib. New Haven: Yale University Press, 1930, 273 pp. $3.00.

What revision there has been in the American view of the Turk has been in no inconsiderable measure due to the influence of Halidé Edib's writings and speeches. In this latest volume her standpoint and argument are developed along broader and more impersonal lines. She reviews briefly the rise and evolution of the Ottoman power and the problems that were raised by the infiltration of western influence in the later eighteenth and nineteenth century. Full of condemnation for the régime of Abdul Hamid, she discusses in a dispassionate way the Young Turk movement, the tribulations of the war period and the rise of the new nationalist movement. The last chapters are devoted to an examination of the new republican system dominated by the personality to the dictator. But throughout the book the stress is laid less on the purely political developments than on the vicissitudes of the Turkish people and their cultural progress.

WAS DIE KAISERLICHE REGIERUNG DEN DEUTSCHEN UNTERTANEN VERSCHWIEGEN HAT. By Heinrich Vierbücher. Hamburg: Fackelreiter, 1930, 84 pp. M. 1.

The Armenian massacres of 1915 and the ignorance of the German people.

LES CAMPAGNES DE L'ARMÉE HELLENIQUE. By Colonel Bujac. Paris: Lavauzelle 1930, 348 pp. Fr. 40.

The best general account of the Greek campaigns in Asia Minor from 1918 to 1921.

L'ARMÉNIE CILICIENNE. By Nicholas Iorga. Paris: Gamber, 1930, 160 pp. Fr. 20.

Historical lectures on Little Armenia, by the noted Rumanian historian.

LES DRUZES. By Capitaine N. Bouron. Paris: Berger-Levrault, 1930, 424 pp. Fr. 40.

A competent history of the Druzes.

Africa

FRANCE IN TUNIS AND ALGERIA. By W. Basil Worsfold. London: Brentano, 1930, 256 pp. 5/-.

A lively, though accurate guide book and descriptive study of the French administrative system.

NOTRE PROTECTORAT MAROCAIN. By Andre Colliez. Paris: Rivière, 1930, 630 pp. Fr. 40.

An exhaustive study of the French in Morocco, this volume covering the story from 1912 onward.

HISTORIA DE LA ACCION DE ESPAÑA EN MARRUECOS. By Emilio Bueno y Nuñez de Prado. Madrid: Ibérica, 1929, 255 pp. Pes. 4.

Discusses the evolution of Spanish policy in Morocco from 1904 to 1927.

ZÜGE AUS DER POLITISCHEN ORGANISATION AFRIKANISCHER VOELKER UND STAATEN. By Günther Spannaus. Leipzig: Werkgemeinschaft, 1929, 223 pp. M. 7.

A scientific study of native political organizations.

COMPLEX SOUTH AFRICA. By William M. Macmillan. London: Faber, 1930, 294 pp. 12/6.

The most recent contribution by a leading South African authority, in which the economic futility of anti-race legislation is forcefully presented.

CALIBAN IN AFRICA. By Leonard Barnes. London: Gollancz, 1930, 245 pp. 10/6.

A strong attack on the Afrikander attitude towards the Empire and towards the color problem.

THE BANTU ARE COMING. By Ray E. Phillips. London: S. C. M., 1930, 239 pp. 5/-.

The author takes up various phases of the color problem in South Africa.

The Far East

PROBLEMS OF THE PACIFIC 1929. By John B. Condliffe. Chicago: Chicago University Press, 1930, 712 pp. $5.00.

A digest of the mass of material presented at the third conference of the Institute of Pacific Relations.

CHINA'S HOUR. By John N. Smith. London: Hopkinson, 1930, 176 pp. 7/6.

A loose and rather incoherent plea for the immediate retrocession of the treaty ports and for the conclusion of an Anglo-Chinese alliance against Bolshevism.

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By Denys P. Myers

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